UC SOUTHERN REGIONAL LIBRARY FACILITY

THE LIBRARY
OF
THE UNIVERSITY
OF CALIFORNIA
RIVERSIDE

Ex Libris
C. K. OGDEN

2/6

MONEY AND MORALS:

A BOOK FOR THE TIMES.

BY

JOHN LALOR.

"YE CANNOT SERVE GOD AND MAMMON."

Matt. vi. 24.

LONDON:
JOHN CHAPMAN, 142, STRAND.

MDCCCLII.

HG939
L24

G. Woodfall and Son, Printers, Angel Court, Skinner Street, London.

TO

THOMAS CARLYLE,

THOUGH NOT FREE FROM ERROR,

A GREAT TEACHER OF GREAT TRUTHS,

This Work

IS INSCRIBED.

Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation

http://www.archive.org/details/moneyandmoralsbo00laloiala

CONTENTS.

PAGE

PREFACE xv

PART I.—DANGERS.

CHAP. I.—THE PROBLEM.

How will the Gold get into the Currency? 1
The Process neither easy nor simple 2
It may cause great Social Changes 3
It may affect the National Character 3
Appeal to Young Men to study the Question 3
The Problem stated 5

CHAP. II.—MONEY.

Money purchases and also makes Payment 6
Its forms are Gold, Notes, and Bank Credits 6
Bills of Exchange are not Money 7
They do not enter into Incomes 7
Government Securities are not Money 7
Money Capital distinct from Commodities 7
It has Laws of its own 8
Power of monied Capitalists 8
Change from Barter to a Currency 10
A Currency enables each Seller to reserve his Power of Purchase . . 10
Currencies are formed piecemeal 11
Money is the Sum Total of the Paying Power 12
Threefold Aggregate of Money 11
Origin of Credit as a Paying Power 13
Receipts for Bullion used instead of Bullion 13
Bullion Receipts operate after the Bullion has been lent . . . 13
Bullion Receipt leads to the Bank-note 14

PAGE

Bank Credits from Deposits 15
A simple Book-transfer effects Payment 16
Bank Credits from Loans 16
Bank Loans an addition to the Aggregate of Money 17
This third Element of Money very variable 18
London Private Banks form one Bank 19
Mr. Newmarch's Estimate of Discounts 20
Bankers an essential Part of our Money System 22
Bank Credit fluctuates from Confidence and Distrust 23
Confidence depends on Regularity of Commerce 24
Regularity depends on correct Anticipation of Supply and Consumptive Demand 24
Bank Deposits could not all be paid 24
Bank Credit to some extent as permanent as Gold 25
Original and Factitious Money 25
Bank Credit at any moment definite in amount 26

Chap. III.—Money Capital.

The first Saving in a Currency was Money Capital 27
A Saving in a Currency differs from a Saving made in Commodities . 27
Money Capital passes into Money Income 28
Money the Basis of industrial Calculations 29
The Aggregate of Income the "Return Power" to Capital . . . 30
Proportion between Capital and Income 30
A general Glut habitual in England 31
Tendency to speculative Excitements progressive 32
Speculative Enterprises convert Capital into Income 33
Destruction of Capital leads to Saving 35
Banking Facilities after a Crisis 35
Money Capital lost reappears in new Hands 37
A definite Relation between Capital and Income 38
Aggregate of Income, how increased 39

Chap. IV.—Money Income.

Money Income from Foreign Trade 41
Origin of Income 42
Capital applied to Production or Distribution 43
Distributive limited by productive Capital 43
Incomes arising from creation of fixed Capital 44
New Money Capital saved out of Incomes 45

PAGE
Incomes created by investing Capital in Manufactures 46
Incomes derived from Profits 47
Revolution of Capital and Income 47
How is return to new Capital possible? 48
Return to old Capital diminished 49
Old Capital spent as Income 49
Effect of new Incomes upon Aggregate of Income 50

Chap. V.—The Revolution of Capital and Income.

Law of Revolution 52
Verification of the Law of Revolution 52
Money Capital squandered returns into new Hands 53
The Revolution of Capital and Income may be quickened or retarded . 54
Law of the Increase of Capital 55
Mr. Mill's Law of Increase 55
Profits and Wages may both fall 57

Chap. VI.—Prices and Currency.

Prices distribute Commodities 59
Retail Prices govern Wholesale 60
Retail Prices limited by Incomes 60
Increased Money Income antecedent to Depreciation 62
Income and Transactions limit Currency 63
Increase in Aggregate of Income must precede Depreciation . . . 65

Chap. VII.—The Money Market.

The Dealers in the Money Market 68
It includes all Lenders and Borrowers of Money 68
———— the Bank of England 69
———— London Bankers and Brokers 69
———— Country and Joint-Stock Banks 70
———— Scotch Banks 70
———— Irish Banks 71
All the Banks form one System 72
All spare Balances flow up to London 73
Money for Discount and Money for Investment 73
Analysis of Discount Capital 74
Two Rates of Interest 76

PAGE
Different Variations of the two Rates 77
General Tendency to a Glut of Money in London 78
Nature of the Demand for Money 79
Speculators 79
Moral Habits of Commerce 80
Morals of Gambling and Speculation 81
Line between Commerce and Gambling 83
Speculation by the Non-trading Classes 84
Speculation in the North of England 85

Chap. VIII.—The Bank of England.

The Bank Restriction Act 87
Habitual Standard of Value 89
Conduct of the Bank under the Restriction 90
Present Monetary Position of the Bank 91
Power of the Bank over the Money Market 92
Reaction after Speculative Excesses 94
Misery produced by a Commercial Crisis 96
Dangers of a high Commercial Organization 96
No cure but a Moral one 97
Rule for the Management of the Bank 98
The Bank not a private Concern 99
Note on the Proposal to fix a Minimum Rate of Discount for the Bank of England 100

Chap. IX.—The New Gold.

Three Ways of receiving new Gold 105
New Gold as Capital for Investment 106
New Gold in Payment for Exports 107
Mr. Senior's Theory 108
Prospect opened by the Theory 110
Successive Rise of Incomes 111
First Rise of Agricultural Incomes 112
New Capital drawn to Manufactures 112
Transfer of Capital 114
Transfer of Labour 116
Prospect of long-continued Changes 118
Structure of Society in Lancashire 119
Need of new Moral Influences 120
Reactions from over-trading 121

CHAP. X.—SOLUTION OF THE PROBLEM.

PAGE
Conclusions respecting Capital 123
Theory of Depreciation 124

PART II.—PRECAUTIONS.

CHAP. I.—POLITICAL ECONOMY AND ITS PREJUDICES.

Political Economy built on Suppositions 129
Economical Truths not Moral Rules 132
Doctrine of *Laisser-faire* 134
Resistance to the Principle of *Laisser-faire* 137

CHAP. II.—TAXATION.

Ancient Feeling respecting Taxation 141
Present Danger from Dislike to Taxation 144
Mr. Norman on Taxation 146
Mr. Ricardo on Taxation 146
Real Incidence of Taxation 149
Effect of Remission on Producers and Consumers 151
Questions of Taxation subordinate 157

CHAP. III.—RURAL LIFE AND EMPLOYMENTS.

Rural Scenery of England 154
Its Moral and Social Effects 156
Present State of Agriculture 158
A Stimulus wanted 161
Transfer of Local Taxation 162
Transfer of Land to new Hands 163
Effects of regarding only the Amount of Produce 164
Duties of Landlords 165
Note upon Agricultural Labourers 166

Chap. IV.—Agricultural Loans.

PAGE
Loans warranted by the Excess of Capital 167
Farmers cannot obtain Capital for themselves 169
Prosperous Trades create their own new Capital 170
Use of Government Intervention 172
Objections 172
Agricultural Loans would be repaid 173

Chap. V.—Loans for Colonization and Emigration.

Principle of Loans applies to other Cases 175
Misdirection of Capital in 1845 176
Wakefield and Buller on Colonization 178
Colonization by the English Aristocracy 178
Supply of Wool from Australia 180
Effects of the new Gold in Australia 181
Probable Effects of Emigration 182
Importance of the Supply of Wool 183
Supply of Cotton 184

Chap. VI.—Loans for the Improvement of Towns.

A Town Life the future Life of England 186
Evils of a Town Life 187
Healthy Habitations wanted 189
Loans for Town Drainage and Water Supply 190
Loans for Improvement of Dwellings 191

Chap. VII.—Working Partnerships.

Socialism—Doctrine of Fourier 194
Christian Socialism 196
Socialism on the Continent 197
Socialist Tendencies in England 198
Reform in the Law of Partnership 198
Popular Belief respecting Profits 200
Workmen may become Capitalists 202
Partnership an Instrument of Social Improvement 203
Joint-Stock Undertakings by the Middle Classes 205
Moral Aids to Co-operation 206

Chap. VIII.—England among the Nations.

PAGE

England at the Beginning of 1852 208
English Views of the *Coup d'Etat* in France 209
Idea of Danger to England 211
Conduct of the English Journals 213
Alarm at the Conduct of the *Times* 214
Commerce and Missions 216
French Protectorate of Tahiti 218
Means of securing Justice between Nations 220
Possible Demands upon England 221
Right of Asylum 222
Treaty Obligations 223
England connected with the Continent 225
Alliance with Prussia 227
Effect of disclaiming Foreign Relations 230

Chap. IX.—National Defences.

Use of Tools 232
Naval Administration 234
Admiralty Reform 235
Naval Estimates in the House of Commons 236
Men wanted who can use the Tools 237
Military Discipline 239
Efficacy of a Militia 239
Prevalence of the Spirit of Retrenchment 241
Manning of the Navy 242
Nature of Naval Discipline 244
A Naval Force for Emergencies 244
Steam Tactics 244
Age of Naval Commanders 246
The Artillery 247
The Dockyard Battalions 249
Morality of Force 250
Soldiers and Traders on Moral Questions 251
Morality of Military Discipline 252
Examples—Lord Collingwood 253

PART III.—PATH TO THE REMEDY.

Chap. I.—Theories of Social Progress.

PAGE
Different Kinds of Progress 259
Theory of Comte 262
Theory of Hegel 266

Chap. II.—National Decay.

Moral Progress and Decay in Individuals 268
Greece and Rome 269
Italian Republics 270
Spain and Turkey 271
Nature of Moral Decay 272
France 273
United States 276

Chap. III.—Grounds of Fear and Hope in England.

Evil Signs in England 279
Decline of Moral Courage in Statesmen 281
Permanent Seats in Parliament for Tried Men 282
Mr. Macaulay at Edinburgh 284
Grounds of Hope 285
Masses into which English Society is divided 285
Character of English Journals 286
Defects of the Journals 288

Chap. IV.—Reconciliation of the Churches.

The Great Want 290
Agreement of Comte and Carlyle 292
Remedy of Comte 293
Remedy of Carlyle 294
Something better than either 296
Practical Argument for Christianity 296
The Practical Argument not for Sects 297
Fraternization with Popery 298
Political Effects of the Anti-Papal Bill 299

PAGE
Religious Aspect of the Papal Question 302
Mr. Newman 304
The Church of Rome should not argue 305
The Papal Government 307
Roman Catholic Astronomy 309
Inevitable Decay of Catholicism 311
Church of Rome in England 313
The Irish People and their Priests 314
Comprehensiveness not Latitudinarian 315

APPENDIX.

Note A.—Nature of Money Capital—Mr. Hodgskin's Pamphlet . . 319
Note B.—The *Quarterly Review* on Accumulations of Capital . . . 322
Note C.—Mr. Fullarton on the Process of Depreciation 326

PREFACE.

THE following pages begin with an attempt to overthrow one of the fundamental principles of the reigning system of Political Economy. That principle is, that the accumulation of capital cannot proceed too fast, and its governing law is supposed to be that of uniform increase, retarded only by the diminishing returns obtained from new investments in the cultivation of the soil. It is here attempted to show that the true law is wholly different. The increase and changes of the capital which consists of real commodities are entirely regulated by the fluctuations in the quantity of that other kind of capital which is commonly known as money (quite a different thing from the currency); and the law of the increase of money, where habits of thrift are so strong as they are in England, is, that it constantly tends to excess, which excess passes off periodically in some more or less delusive industrial excitement, in the progress of which it, for a time, and only for a time, disappears.

The working of this law was discerned and expressed as a law by Lord Overstone, in his well-known passage descriptive of the cycles of alternate commercial ex-

citement and depression. With him, however, it was only what Mr. Mill calls an "empirical generalization," a generalization, indeed, which none but a scientific mind could have made; but still empirical, because it was not traced back to its causes. But then it was a *reality*. He, a man of high intellect and great practical insight, placed at the very best point for observation, *saw* the facts. Science is good for nothing if she cannot explain them. Hitherto she has *not* explained them. Very near approaches to the truth, however, had been previously made, on the side of abstract speculation, by Sismondi, Malthus, and Chalmers, all of whom were, as I conceive, better observers of social phenomena than either Say or Ricardo, and even than one who was in some respects greater than any of them—James Mill. That great philosopher, who is yet so far from being appreciated in England; whose most important scientific work, the "Analysis of the Human Mind," has not even been reprinted; and whose worst, the angry critique on Mackintosh, however grievously unjust to the subject of the criticism, was but the overflowing of a soul that hated cant and the petty arts that raise mean men to eminence; deserves for the rugged strength and immense grasp of his intellect to stand side by side with Hobbes, whom he loved and defended. But, like Hobbes, his dogmatic preconceptions did not suffer him to see truly the complex, delicate, and varying phenomena of living society. The mind of Sismondi, on the other hand, was not dog-

matic, but historical, and was enriched with a vast treasure of facts derived from actual observation in Italy, Switzerland, France, and England. Glowing in unison with all the nobler emotions of man, it was also full of the finer filaments of sympathy with common joys and sorrows, essential to him who attempts to trace or teach laws directly bearing upon human life.

Malthus, I conceive, has higher claims to a place in economical history than those derived from his celebrated theory of population, which seems to be already tottering[1]. And Chalmers, with his keen perception of real social evils, and his strong clear intellect, rendered doubly effective by his moral energy, was the man who began that baptism, so to speak, of political economy into Christianity, which was the main thing needful to bring about its regeneration. The authority of these, or of any one of them, would with me outweigh that of Say, clear expositor as he was, or that of the amiable and admirable, but much overrated, Ricardo[2]. But it is scarcely just to those eminent

[1] I speak without any decided opinion upon the attacks of Mr. Doubleday, Mr. Hickson, and, more formidable than either, the judicially impartial statement of the hostile evidence in the *Morning Chronicle* of March and April, 1850, in some very able papers, which were attributed to Mr. Newmarch.

[2] Of course I refer only to his intellect. A man who could inspire attachment in others, as he did, must have had the noblest personal qualities. Here is a passage in which Mr. M'Culloch first gives his own opinion, and then quotes that of Mr. James Mill:—

"His works have made a very great addition to the mass of useful and universally interesting truths, and afford some of the finest examples to be met with of discriminating analysis, and of profound and refined discussion. The brevity with which he has stated some of his most import-

writers to regard them as having only approached the true law of the increase of capital. In fact, they saw the very same phenomena which Lord Overstone so happily generalized into cycles of excitement and depression, though from an opposite side; but between the standing point of the practical banker and that of the more abstract speculators there long intervened a tangled wilderness, which without the discussions and information of the last few years must have remained impassable.

The foundations of a true monetary science, however, have been really laid by the writings, and especially the later writings, of Mr. Tooke, which render him, in my view, the second father of English political economy. Clear and pure in diction, they yet do not possess that

ant propositions; their intimate dependence on each other; the fewness of his illustrations; and the mathematical cast he has given to his reasoning, render it sometimes a little difficult for readers, unaccustomed to such investigations, readily to follow him. But we can venture to affirm, that those who will give to his works the attention of which they are so worthy, will find them to be as logical and conclusive as they are profound and important."

"'The history of Mr. Ricardo,' to use the words of Mr. Mill, 'holds out a bright and inspiring example. Mr. Ricardo had everything to do for himself; and he did everything. Let not the generous youth, whose aspirations are higher than his circumstances, despair of attaining either the highest intellectual excellence, or the highest influence on the welfare of his species, when he recollects in what circumstances Mr. Ricardo opened, and in what he closed, his memorable life. He had his fortune to make, his mind to form; he had even his education to commence and conduct. In a field of the most intense competition, he realized a large fortune, with the universal esteem and affection of those who could best judge of the honour and purity of his acts. Amid this scene of active exertion and practical detail, he cultivated and he acquired habits of intense, and patient, and comprehensive thinking; such as have been rarely equalled, and never excelled.'"

inexpressible charm of style which must ever make the "Wealth of Nations" the favourite hand-book of the economical student; but they evince, throughout, that love of truth which gladly submits to the teaching of every fact, and that habitual dwelling of the mind upon realities rather than upon abstractions, which distinguished Adam Smith, and which renders even the mistakes of such men full of instruction. Mr. Tooke's pursuits as a merchant were peculiarly favourable to observation. The nice balance of the perceptive and philosophical faculties in his mind—the former in their action always preceding and supplying materials for the cautious inductions of the latter—caused his opportunities to be turned to the most profitable account. The "History of Prices" was literally "hived up," during each of many studious and observing years, until at length the ripe product of the whole was deposited in his pamphlet of 1844. Some of his earlier views Mr. Tooke has abandoned, and the position which he maintained against Mr. Blake I conceive must also be abandoned; but the value of his luminous exposition of the actual movement of commerce and prices, and of the effects of varying seasons and mercantile miscalculations, during the last half century, will remain substantially unaffected by those corrections, whilst his conception of the aggregate of income as that which determines prices on the side of the consumer, and his view of the amount of the currency as the *effect* of prices, must be immovable pillars in the

building up of a science of money. One pure and polished block of marble is presented to the hand of the architect by Mr. Bailey's theory of value, though that lucid writer did not succeed in extricating the whole of the truth from the errors of his opponents. A more important contribution is furnished by Mr. Senior in his lectures on the precious metals. From the character of his mind, and, perhaps in no slight degree from his Oxford training, Mr. Senior has been more successful than any predecessor in dealing with the language of political economy. His definition of profit as the "remuneration of abstinence" was of itself an immense advance towards the clearing up of all the relations between capital and labour. It sweeps away at one stroke a mass of absurdities which were deduced naturally enough from the forced and inaccurate abstractions of Ricardo. Wine has no longer to toil as it mellows in the cask, and windmills cease to earn wages. Production is not bought by one sacrifice, but by *two*, neither of which is by any analysis resolvable into the other. Those sacrifices are labour and abstinence. The separation and habitual antagonism of these two forces is the ground law of political economy. Unhappily, but, as man exists, inevitably, it is also the ground law of modern society.

A mass of information of the most important kind is contained in Mr. Thornton's well-known work on Paper Credit. Other valuable contributions to mone-

tary science are furnished by the evidence given before the various Parliamentary Committees on currency and banking, especially those of 1810, 1819, 1832, and 1841. The witnesses who keep to the facts of their own observation are, of course, the best. Of those who also help to explain those facts, I must express my own obligations to Mr. Horsley Palmer, whose expositions of the working of the Bank of England are always excellent; and to Mr. Gilbart, probably the most qualified of the numerous observers, who surveyed the operations of the money market from a side opposed to that of Mr. Palmer, and yet distinct both from that of Mr. Tooke, and that of Lord Overstone. Mr. Gilbart, whose various works on banking are of essential value to the student, was, I believe, the first to show, and he did show incontestably, that the country bank-note circulation rose and fell according to a regular law, dependent on the habitual course of agricultural transactions. I may also say that single sentences from men like Mr. Lewis Loyd, Mr. Rothschild, Mr. Gurney, and, before the bullion committee, Mr. Richardson, who were all their lives immersed in money operations, sometimes contain more useful matter than volumes of abstract disquisition. Of greater importance are the various returns contained in the appendices to the reports, and especially the returns of the weekly balance-sheets of the Bank of England. The latter lay bare, as it were, the very beatings of the heart of the whole monetary system of England during the period which elapsed from 1832 to 1847.

Mr. Fullarton's work on the Regulation of Currencies has probably a greater charm for the general reader than any other that exists on the subject. Agreeing with Mr. Tooke in his main principles, and correcting him, as I think, on some points, especially with respect to the influence of what is called "cheap money" in promoting speculation, he has also, by many perfectly original developments and illustrations, for example the operation of hoards in the countries of Asia, and the analysis of the causes of drains of gold, greatly extended the amount of our knowledge.

In what may be called the organized statistics of the subject, great praise is due to the paper of Mr. Danson on the Bank of England, in the "Journal of the Statistical Society," and to the still more original and important contribution of Mr. Newmarch relative to Bills of Exchange, which could only have been produced by the vast and conscientious labour of a man conversant with both the science and the practice of banking. Of the greater statistical works it is scarcely necessary to say that the student of the science of commerce and money requires at every turn the "Commercial Dictionary" of Mr. M'Culloch, and the "Progress of the Nation," by Mr. Porter. Mr. James Wilson's various papers in the *Economist* newspaper have also been to me of very great value.

The student who attempts to explore this labyrinth finds the air as he enters thick with the dust of innumerable pamphlets—good, bad, and indifferent. The writings of practical bankers are always worth reading,

and especially those of Lord Overstone, Mr. Palmer, Mr. Norman, and Mr. Leatham[1]. Of the rest I shall only name those of Colonel Torrens, with whom before now I have broken a lance with my vizor down, yet I hope in all courtesy. In his case I have found the maxim to be true that our adversary is our helper. His analyses of banking operations, though not always satisfactory to my mind, have been often suggestive. His definition of money as that which can not only

[1] I mention separately, in a note, the name of Lord Ashburton as a practical writer and witness always worth hearing, for the purpose of acknowledging a former error with regard to him. He had the fault, if it be one, most uncommon in a practical man, of seeing disputed questions on both sides; and this gave an unsteadiness to his life and opinions which contrasted unfavourably with the narrow consistency of inferior minds. But it was his fairness that made him successful at Washington, for it *was* a great success, and averted many evils. At that time I did not think so, but concurred fully in the attacks made upon the treaty by the *Morning Chronicle*, with which I was then connected. Now, however, that the party heats of that period have cooled down, it appears to me that the importance of the concessions made by Lord Ashburton was exaggerated, and his difficulties much under-estimated, not only in those attacks, but in the criticisms passed upon the treaty by its most distinguished opponent, in the House of Commons. Lord Ashburton certainly violated the maxims of the old diplomacy, but he did so in obedience to other principles which are much more deserving of respect. It was no doubt this necessity which dictated the selection of such an envoy. The exigency was original and perilous, "the file affording no precedent," and history will probably do justice to the statesman-like courage of him who, at such a time, broke through the official routine, and went outside the diplomatic circle to find the fittest man. The famous reproach of "shooting out the whole bag of equivalents" at the feet of the American Minister, was a eulogium. Whenever international morals come to be placed on the right footing, shooting out the whole bag of equivalents will be the golden rule for negotiators.

It is right for me to add, that my connection with the *Morning Chronicle* ceased soon after the beginning of 1848.

effect the purchase of a commodity, but close the transaction, is his own. It is an arrow in the white.

A tract called "Labour Defended from the Claims of Capital," published in 1825, requires notice, as containing the first clear conception of capital as a mere *power* distinct from the possession of commodities. This remarkable tract is attributed to Mr. Thomas Hodgskin, well known as an able and accomplished journalist; but a general appreciation of the acuteness and originality of thought which his publication displays was prevented, apparently by the erroneous practical inferences which were prominent in its pages. Some extracts from this pamphlet will be found in the Appendix.

I have yet to name three writers, whose contributions to monetary science appear to me to be only less important than those of Mr. Tooke himself. The first is Mr. Pennington, who, in his paper annexed to the second volume of the "History of Prices," shows how credits in the books of the London bankers operate with the same effect as gold and bank-notes, simply by means of transfer. The second is a writer in the *Quarterly Review*[1], on "Accumulations of Capital," unknown to me, but who, in attractiveness of style, rivals Mr. Fullarton. The reviewer describes with perfect accuracy the periodical growth and destruction of money capital as it takes place in England, and if he had pushed the matter a little further my purpose would have been served by taking up and

[1] No. 163, December, 1847.

applying his conclusions. The last of the three is Mr. Blake, well known as the author of the first clear account of the working of the foreign exchanges, but who deserves still better to be known for his pamphlet on the effects of the Government expenditure during the late war, a work of such masterly clearness and force, at least in respect to that particular point, that I cannot explain how it should have failed, as it did, to produce general conviction, except from the resistance offered to it by that inveterate prejudice which looks to the amount of the currency as a *cause* operating upon prices. Mr. Blake's service to the science of money was his exhibition of the manner in which capital, being converted into income, as it was in the most rapid manner, by the Government expenditure, became a new source of demand, and operated instantly upon prices and the whole of the national industry. This, I think, is a foundation stone which no logic will be able to disturb, and the conclusions of these various writers are materials which must enter into the structure of a true theory of money.

In taking my stand with Sismondi, Malthus, and Chalmers, and, I ought to add, a high living authority, Mr. Gibbon Wakefield, as to the tendency of capital to accumulate in excess, and with Blake as to the pre-eminent importance of every extension of demand, or what is commonly called the "market," upon prices and industry, I find myself opposed to the greatest name in English political science, with perhaps the single exception of Burke, and to that of one whose

range of thought on all the kindred sciences, wider and more powerful than Burke's, must give his writings an influence upon future generations which no living man can estimate. Every reader will anticipate the name of Mr. John Stuart Mill. It is the opposition, I may say, of the pupil to the master, for during about eighteen years the writings of Mr. Mill have constituted my chief political discipline. That with such aid it should be possible for inferior powers to see a little further in a particular direction, cannot be thought extraordinary. It is the privilege of minds of the highest order to raise the whole level upon which succeeding inquirers carry on their operations.

If, however, the principles maintained in the following pages be found correct, it will still appear strange that, involving as they do a radically different conception of the working of the social machine from that presented by the old political economy and sanctioned by Mr. Mill, they should yet be only slight developments of thoughts to be found in Mr. Mill's own writings. The error of Say, and those who followed him, arose from arguing upon assumptions applicable to a state of barter, and overlooking the effects produced by the introduction of a currency. Now that effect of a currency which includes all others, namely, the separation of the power of purchase from the sale, which goes along with it in a state of barter, was explained (I believe then for the first time) and worked out into some of its most important consequences by Mr. Mill, in the essay on the "Influ-

ence of Consumption upon Production," which was written by him more than twenty years ago [1]. In the same essay the effect of demand in calling capital into activity is distinctly recognised, and practical conclusions in perfect harmony with these two great principles are to be found in several parts of his more recent work. But in contact, as it were, with this large body of profound and original thought, is a considerable portion of deductive reasoning taken from the old political economy, and of such a nature that no effort of my mind is able to work a reconciliation between the two.

Whatever may be the ultimate decision of competent judges with respect to the amount of error to be found in those arguments of previous writers which Mr. Mill has retained, there can be little difference of opinion as to the value of that more important portion of Mr. Mill's great work, which is wholly his own, and which has already done so much to change the whole spirit of economical reasonings. It has indeed effected, scientifically and conclusively, that subordination of the doctrine of wealth to the doctrine of human welfare, which was the object so

[1] This essay, however, was not published until the year 1844, in the volume called "Essays on some unsettled Questions of Political Economy." The last essay in that volume had been published previously, and is referred to at page 129 in the present work as if it had appeared in 1830. This is a mistake of which I did not become aware until it was too late to correct it in the proper place. The important paper in question first appeared in 1836, and therefore "sixteen years" should be spoken of as the time during which it has been before the public without producing its proper effect.

earnestly desired by Sismondi and Chalmers, and which they, if they had lived to see it, would have been the foremost to recognise and welcome.

The results here presented to the reader have been very slowly arrived at; but the composition is hasty, having been effected during the only period of strength sufficient for such a purpose that has occurred in the course of several years of depressing ill-health. From this cause many references which would have been desirable are omitted, and others made from memory may be inaccurate; but I trust there is no inaccuracy which materially affects the reasoning.

The Second Part of the following work contains a series of practical suggestions, some directly growing out of the principles established in the First Part, others having an indirect but still close connection with that view of our industrial condition which the First Part exhibits. In this and in the Third Part, which is little more than an introduction to that which was at first intended to be the substance of the work, but which it has been found impossible to execute at present, there are various criticisms on public questions, religious as well as political, and on public men, the tone of which may appear presumptuous. I shall be sorry if they produce this impression, which I think would be an unjust one, but cannot help it. The whole has been written with the conviction that nothing is more wanted at the present time than downright statements of what men actually think; and whoever resolves to write or speak thus is very likely to

assume an air of dogmatism, more or less at variance with the received ideas of good taste. A reader, however, who is satisfied that this proceeds only from frankness, and that it may be accompanied with full consciousness of liability to error, will not think the offence too serious to be forgiven.

As this last revise sheet goes to the printer, the announcement is made of the deplorable result of the Liverpool election. Just two years after the death of Sir Robert Peel, Mr. Cardwell, a statesman of the highest qualifications, representing his policy, is deprived of his seat for the second commercial city in the empire, only because he is too honest to defer to a popular prejudice. About the same time, and for the same reason, Mr. Roundell Palmer retires from Plymouth. I have never had any connection with the party to which those gentlemen belong, and know nothing of them except what the public knows from their speeches and their acts; but it certainly does appear to me, that England might be searched without finding two men better qualified to sit in the House of Commons, and that that state of public opinion which excludes them at a time like the present, is a far more serious matter than any question as to the individuals who should fill the Government offices.

If it were possible to believe that the opposition to Mr. Gladstone in the University of Oxford could succeed, it would throw a still darker gloom over the

political horizon ; but even the existence of that opposition, in defiance of the excellent custom of the University, is a sign of evil omen, because, so far as it goes, it exhibits the overbearing tyranny of democratic passions, in the very class amongst whom they should be most restrained. The admixture of religious excitement does not diminish, but, on the contrary, aggravates the danger of this unqualified working of the democratic principle; and if the rectors and curates who are now about to travel from so many parts of England, in order to punish their representative for not being a delegate, shall accomplish that object, they may find hereafter, when the system which they are sanctioning has gradually driven from public life every man combining nice personal honour with real political capacity, and has entrusted all power to honest dulness and unscrupulous ability, that they have been accelerating the approach of a time, when the votes and wishes of clergymen will have as little weight in England as amongst the millions of the English race in North America, who, in politics, exact from the ministers of religion nearly the same passive submission that is expected from women and from negroes.

London, July 8, 1852.

PART I.

DANGERS.

"Take heed and beware of covetousness: for a man's life consisteth not in the abundance of the things which he possesseth." LUKE xii. 15.

MONEY AND MORALS.

CHAPTER I.

The Problem.

> "Milton, thou shouldst be living at this hour;
> England hath need of thee."—Wordsworth.

"How will the gold get into the currency?" is, just now, a question of considerable interest. It involves a good deal more than it appears to do at first sight. There is evidently some difficulty in the process. The old notion was, that new gold had only to appear in a country, and straightway it became currency, raising prices and producing other remarkable changes. Mr. Tooke, in his pamphlet of 1844, showed that old notion to be wrong; but he still never thought of denying that new gold might, and under some circumstances must, get into the currency, and make its appearance, whether as cause or effect, along with increased prices. This happened on a great scale in the sixteenth century, and, of course, might happen again; but the precise manner in which such a thing could happen has not been elucidated, nor any attempt made to show that a process which was easy in this country in the sixteenth century, when gold and silver were the whole of her money, is equally easy or even practicable in the nineteenth, when exchanges a hundred-fold greater are affected by a credit system so perfect, that, for some twenty years, England was able to part with nearly all her gold, and to enjoy very high prosperity

in its absence. It is plain just now that there is a hitch somewhere. We imagine it to be a sort of necessity that this gold, of which we have already so much, and of which so much more is yet to come, *must* find its way into the currency; that prices must, sooner or later, be doubled; that fundholders will have to lay down their carriages; and that Birmingham will attain the summit of human felicity; but however these things are to come to pass, it is certain that they will not come to pass either easily or very soon. For, first, we have the gold, and it does *not* go into circulation. We have no exact knowledge of the number of sovereigns in circulation in England, but we do know the number of one-pound notes in Scotland, which the people of that country, by a peculiar taste, prefer to the sovereign, though to the eye and to the touch of the English visitor, they are less agreeable than the bullion. Now, as the one-pound note circulation of Scotland does not materially increase, it seems fair to infer that the sovereign circulation of England, which must be subject to very similar influences, has suffered no important alteration. At all events, twenty millions in the Bank is a good round sum, full one-half of it being of no sort of use there. Why does it not move out, and make a beginning of those rising prices? It does not move out, and one may say does not show any tendency to do so.

This, then, *is* a curious question. Our circumstances are wholly different from those which, in the end of the last century, depreciated in France the paper currency of *assignats*. The precise steps of that change have yet to be traced by careful historians; but even if they were known to us, they would only suggest, by a highly-foreshortened representation, that long perspective of deeper and more dangerous change which must be involved in any considerable depreciation of our own currency. This, then, would be a curious question, merely as a matter of scientific interest; and in this light it appeared to the present writer in the year 1847, when it suggested itself as a problem to be solved, in connection with certain conflicting theories of Bank management, and more faintly in 1844 as a

preliminary to the settlement of a controversy respecting the laws of international exchange, between Mr. Mill and Colonel Torrens on one side, and Mr. Senior, representing the great body of free-traders, on the other. But now it is no longer a question of merely curious science, but a question of very practical and even urgent importance. What if that event, which seems with so much reason to be expected, should involve great changes in the distribution of wealth in England, enriching some, impoverishing others, prostrating often the best, exalting others not the best, breaking up innumerable old relations, and scattering disorder and obstruction over many of those ancient ways in which the life of England has so long loved to tread? This would indeed be much; but what if, beyond merely material changes, there should concur with them still deeper and more important changes of a moral kind, changes in the feelings, habits, and tastes of men, which would constitute that most awful of all events, a decay in the fibre of national character? This is, indeed, a question, the very thought of which is enough to strike us pale, and to make this hand tremble as it writes. But such things are not impossible. The descendants of those who fought at Marathon and Leuctra were the pliant sycophants and quacks upon whom, even in the corrupter days of Rome, a Juvenal could look down. Greater still, those same Romans, who practised, by a noble instinct, the stoicism which the Greeks only taught—who also, true prototypes of the English, knew both how to conquer and how to govern—that great nation had for its representatives none but liars, swindlers, and cowards, in the days of Luitprand the Lombard. I cannot pursue this strain; it is enough to show that there is or may be here a question of far higher moment than any which divides our parties. I invite all honest men to its consideration; I think I can promise them that whether any clear solution of our problem be gained or not, their time will not be wasted.

To you especially, youth of England, who, with clear intellect and firm will, at Oxford, Cambridge, London, or else-

where, are striving, by the highest culture, to become fit for the tasks of a future, yet lying bright before you in all the colours of hope;—to you, heirs to an illustrious ancestry and a priceless inheritance;—to you, to whom belong as your own both the Saxon and the Norman—the mailed crusaders and the peasant archers—the great churchmen and the great thinkers of the times which Mr. Digby has depicted as the "ages of faith,"—the riper and nobler glories of the Reformation—that Ridley and that Latimer, whose fire *has* been lit up in England, and shall never be extinguished—the wondrous galaxy of poets, statesmen, discoverers, and commanders of Elizabeth—the Falklands and the Hydes, and, nobler still, the Eliots, Vanes, and Hampdens;—to you, who are sensitive to all that was beautiful in the martyr Charles, who

> "Nothing common did or mean,
> Upon that memorable scene,"—

and all that was grand in the character and career of his great destroyer;—or to you, whose sympathies may be by choice with the men of later time, whether with either of the great rivals whose jar in the Senate "shook realms and nations;" or with the heroes of charity and faith, the Clarksons, the Wilberforces, the Buxtons, the Wesleys, the Whitefields; or those pure-hearted outspoken men, brave in the midst of obloquy, the Prices and the Priestleys;—to you comes this appeal from one whom a singular destiny has led to dwell in turn upon each and all of these glories with loving admiration, and who can interpret much of your conflicting aims in this perplexing time, out of the conflicts and perplexities of his own experience.

To you, English by birth, comes this appeal, from one who, though not born on the soil, is bound to it by the strongest ties of domestic affection—of friendships dearer than life—of a love which the meditations of years have continually augmented. It comes from one prepared, by long habits of lonely thought, to speak to you at this solemn time. Believe me, it is no common call. Here is no demagogue, seeking to kindle and

then fawn upon the baser appetites—no leader, desiring to use you for his ambition—no turbid excitement for the hustings—no stimulant to party passions. All shall be clear and calm. The pulses of the national life already begin to beat with the fire of an old and well-known disorder. The flush is on the cheek, the unhealthy lustre in the eye. Each paroxysm of that malady, if not more painful, is always morally more destructive, than the preceding. There is too much reason to dread another. You are called, therefore, to a consultation, not, I trust, to one which is without hope—for the issue will rest mainly with yourselves—but to a consultation which concerns even the existence of whatever you hold most dear.

The Problem stated.

The immediate problem, then, is to determine by what steps the new gold can find its way, to any great extent, into the English currency. Such gold, when it arrives in England, must come into the hands of persons who will either seek to employ it as capital or to spend it as income. The course, then, must be, to determine what is capital and what is income; to see how the two are related, how far increase of one is connected with increase of the other; and, those relations being once made clear, to trace in what way the incoming flood of new gold may affect them. A man who is about to commence any industrial undertaking must first have his capital in the form of money. His income is also estimated by him, and spent in the form of money. The first step is to mark out, as accurately as possible, what is the actual and general acceptation of the word, and therefore its true meaning. I mean, then, by Money, not simply gold or bank-notes, but THAT, whatever it may be, which is money in the money market and on the Stock Exchange—money with the draper, the grocer, and the butcher.

CHAPTER II.

MONEY.

"The awful shadow of some unseen power
Floats, though unseen, amongst us."—SHELLEY.

Money is Gold, Notes, and Bank Credits.

THERE is in England, existing separately from and in addition to the sum total of its material wealth, excepting bullion, a certain *purchasing and paying power* established by convention, a small part of it depending on the possession of bullion, but the much larger part on certain legal rights, the whole being placed as it were face to face with the gross stock of commodities, fixed property, and marketable personal qualities belonging to the people. This purchase power is in the aggregate, at any one time, of a definite ascertainable amount, though capable of being enlarged or diminished. It may be possessed by persons without land or goods, and who render no useful service to society, but who, nevertheless, can take the full amount of their claim out of the general stock. It may be divided into the minutest parts, transferred from hand to hand indefinitely, used immediately as income, or accumulated for future use as capital. The same portion which, when held by one man, is capital, may be income when transferred to a second; and after a third transfer, again capital; its character being determined by the manner in which its possessor intends to apply it. It includes the whole of the currency; that is, coin and bank-notes, and bullion in private hoards, together with a large additional sum, in the form of *transferable bank credits.*

Money is *not* synonymous with the gold and bank-note currency, because he who has a credit with a London banker

is universally felt to have money in the same effectual sense as if he had the sum under lock and key. His transfer of that credit by cheque operates as an absolute payment, simply by two lines in the books of the banker. In the words of Colonel Torrens, it "closes transactions."

Bills of Exchange not Money.

A bill of exchange never closes a transaction. It is itself only the evidence of one or more transactions, all of which are closed then only when the bill is paid by means of coin, notes, or bank transfer, that is to say, in money. Bills of exchange play a most important part[1] in effecting transfers of mercantile and banking capital, but they *do not enter into income* the amount of which determines prices. A bill of exchange is not used for wages or salaries, nor paid away to a butcher or a landlord. For the same reason Government securities, however nearly equivalent to money in many cases, and even acting as money amongst the Scotch bankers, who settle balances in exchequer bills, are yet not money in the popular and correct sense of the term. They will neither pay a bill of exchange nor a railway call, and they do not pass into incomes.

Further, with respect to bills of exchange, on those occasions when the light of monetary science is most needed, they not only cannot be considered in the same line with money as means of payment, but must be placed in direct opposition to it. In a crisis, bills of exchange constitute the precise difficulty that has to be met. Gold, notes, and transferable bank credit, so far as it then exists, are the only means of meeting that difficulty.

Money Capital distinct from Commodities.

Of this aggregate stock of money, a portion is always in

[1] See Mr. Newmarch's Paper in the "Journal of the Statistical Society," May, 1851.

the hands of those who intend to use it as income, another portion with those who use it as capital. In the latter case it is money capital. It may pass from one person to another by gift or bequest, but it is usually exchanged for some portion of visible property or personal services. It is wealth, but never to be confounded with the wealth which it commands. Real or specific capital, the capital necessary for production, consists, say the economists, of useful commodities, food, instruments, and materials; but money capital is only a *power* to procure these, and the two are always, as it were, on opposite sides. But they are *two distinct capitals*, and both when bequeathed have to pay the tax upon legacies. As soon as the monied capitalist chooses to have his property in the form of food, instruments, and materials for the purpose of production, his money capital is gone; either as capital or as income, it is in the hands of others.

It has been the custom of economists to assume, with some slight attempt at proof, that in a society possessing a currency, the business of exchanges takes place according to exactly the same laws which would prevail in a state of barter. This assumption appears to me to be an error, and to have prevented a true interpretation of many most important phenomena. The conception of money capital existing independently, as a legally-recognised transferable purchase power, exchangeable for, but never identical with, that *specific* capital which alone could exist in a state of barter,—as a species of wealth *capable of varying in amount, without any corresponding, or perhaps with opposite variations in that visible property which it commands*, and, therefore, as having laws of its own,—is a clue without which a correct analysis of our complex and highly-developed credit system is utterly impossible.

Monied Capitalists.

In ordinary times great capitalists are estimated by the amount and not by the nature of their possessions; but when

one of those commercial hurricanes to which we are periodically exposed sweeps over the face of society, uprooting establishments of the oldest growth, and hurrying the fairest creations of human industry in ruin before it, who are then the strong men to stand unbowed beneath the storm? Not the man for whom thousands are working in a distant tropical plantation, and whose estates would outvalue many a principality; still less the manufacturer with his costly machinery, his warehouse full of goods, and his organized corps of labourers, whom it seems equal ruin to retain or to disperse. Not even the farmer is to be envied, with his barns and granaries filled to bursting, when rent, and taxes, and wages, are to go out, whilst, with the slack demand of an unemployed people, his market is falling away. While these possessors of the most valuable wealth are paralyzed and trembling, the men whose dominion is supreme are they who own neither plantations, nor factories, nor farms, nor ships, nor merchandise, but who, in dingy counting-houses, have a strong box full of short-dated bills of exchange, whose names are familiar words in the Transfer Office, and who can deliver the proudest from the jaws of ruin by a leaf from their cheque-book. These are the men who, according to the great thought of De Quincy, have but to touch a spring in London, to produce a vibration throughout the world, to quicken or arrest the march of armies, to frustrate the ambition of kings and statesmen, or to perform the nobler exploits of modern civilization, those great ocean canals and railways which bind together the families of men.

The property which is the special possession of these potentates, who, whether in London, Paris, Frankfort, Berlin, Vienna, or New York, are all one body, closely knit together and mighty in their union—a true aristocracy and priesthood, commanding obedience—is of a nature far too complex to be divested of its mystery by illustrations drawn from a state of barter.

Change from Barter to a Currency.

In an act of barter, each of the two parties makes both a sale and a purchase. Each, in parting with what he brings, acquires a power of purchase, which, however, is at the same instant extinguished by his receiving an equivalent. The introduction of a currency, or "medial commodity," *divides* the act of barter into two parts[1]. Thenceforth the seller exchanges his goods for a purchase power, which he can *reserve* and exercise, at his own time and with a different party. The essence of a "medial commodity" is, that it is taken not for its own sake, but because it gives this power. If it were not a commodity, it would not have become medial; but when the medial function is once well established, it becomes capable of existing by itself. The commodity drops, as it were, first out of sight, and then out of existence, leaving behind it the function, not as a shadow, but as a substantial addition to actual things. This, however, requires further explanation.

In history, there is no example, I believe, of the transition from a state of barter to the use of a currency. Every existing currency has flowed down to us out of that cloud which envelops the origin of nations. A currency being, in the happy phrase of Mr. Bailey, a medial commodity, it is natural to suppose that that commodity which was best known, which it cost nearly equal sacrifices to obtain, and which was itself often the subject of exchange, would become a familiar standard of comparison for settling exchanges, and then a generally acceptable substitute, where a seller wished to reserve the power of purchase accruing to him from the sale, for a future occasion. Thus cattle were used in the Homeric ages, tobacco amongst the early Virginian planters, salt still in Abyssinia, tea in Tartary.

A metallic currency was an immense step in civilization. In a country without mines such a currency must have been made

[1] Essays on Unsettled Questions of Political Economy, by J. S. Mill.

piecemeal. Gold was obtained in exchange for domestic products. Each portion was a substitute for a portion of useful articles sent away. Coming to be used as a currency, its estimation as an ornament would soon be altogether lost in its estimation as a means of obtaining other things; strictly speaking, at this point its intrinsic worth becomes merged in that worth which is ideal or conventional. It practically ceases to be a commodity for use or consumption, except in an inferior degree; but it comes to be coveted more than any, nay sometimes more than all, commodities, for that peculiarity with which the consent of men invests it, namely, its assured power or command over goods and labour. This currency has been bought, as has been said, from foreigners, by a succession of private efforts, each individual thinking the convenience of the portion which he holds worth the abstinence from immediate consumption which his holding it involves. As the gold passes from hand to hand, the position of each successive holder becomes similar to the last: he has given something away, and received not so much an equivalent as the *power* of taking one when and where he likes best. The currency being obtained, the community, as a whole, has paid away a full equivalent for it out of the produce of its labour; but it has acquired an instrument of singular power in quickening industry, and developing not only material but moral resources. By a law of the human mind, we come in time to prize any habitual instrument of gratification, beyond the gratification itself. By early and multiplied associations, gold becomes attractive and stimulating to common minds, more than the things which it commands, and thus is instrumental in infusing a new energy into industry. So far its essential character appears to be that of a universal equivalent: a power of purchasing whatever is desired, the exercise of which effects a *payment* as well as a purchase.

Threefold Aggregate of Money.

The sum total of the medial commodity would be the money

of a primitive community. The sum total of the paying power must be considered as the money of England. It consists, as has been said, of gold, bank-notes, and transferable bank credits, because all these, by general consent, operate as a perfect payment, and there is nothing else that does so in that large and governing class of transactions which take place between dealers and consumers. It must, of course, be assumed that a banker never opens a credit upon himself in order to *purchase*, but only in order to lend. This being assumed, bank credit is at once separated as a paying power, always definite in amount from private credit, which when used to purchase does not pay or close the transaction, and in amount is perfectly indefinite. The latter is, as Mr. Fullarton says, an illimitable element of *purchasing* power. No man who has credit knows how much goods it will enable him to obtain, but every one knows how much he can on the instant pay for.

Bullion, bank-notes, and bank credits, then, in a certain important aspect, may be regarded as a uniform mass; but the mass is, in reality, like the crust of the earth, composed of different layers or *strata*, which differ from each other in stability and texture, even more than the oldest rocks do from the light sand which is tossed in interminable billows by the blasts of the desert. At the bottom is the bullion, the primeval granite, out of which all the others have been formed, and upon which they repose. Then comes the first layer of credit, the bank-note, to the eye a much lighter formation, and yet so solidified by its contact with the bullion, as to be fairly comparable to those crystalline slates and marbles which the central heat has assimilated to the subjacent rock. At the top, not like to any part of the solid earth so much as to the storm-vexed ocean, or to the still more stormy atmosphere, floats the third portion of the aggregate, itself a succession of layers, and liable, especially in its upper regions, to changes swift as light, from the most profound calm to the wildest fluctuations.

Bullion Receipts and Bank Notes.

The conception of a currency as a definite measurable purchase power, separate from commodities, and yet received as a full equivalent in exchange for them, is attended with no difficulties. If no form of credit had been superadded, money capital would have been created by laying by not only definite but tangible portions of the currency. Its amount would have been the amount of the hoards. Two men could not possibly seem to possess the same piece of money capital. If any man deposited his gold with another, that other would have it, and not he. But one of the most extraordinary inventions of civilization was that which gave to credit in certain forms—*not* the power of purchase, for that it *must* possess wherever man is not so degraded as to have no confidence in his fellows—but the power of effecting payment. One of the simplest forms in which the power arose was that of the ancient banks of deposit, described by Adam Smith in his account of the bank of Amsterdam[1]. When any one placed gold and silver in the bank, the bank would pay the amount as he ordered. He could thus transfer his right over the bullion to another, and the mere right came to be accepted as equal to the reality. Sometimes bank-receipts were given for the deposits, and the transferable bullion receipt was the parent of the bank-note. It was a mere piece of paper, but it conferred a legal right, which was not exercised, because, while gold awaited it, it served every purpose that the gold could serve, and was more convenient. A pure purchasing and paying power was thus nearly disengaged from the last material fetters, and there remained but one step more to perfect the instrument, by enabling it to circulate and operate with full power over labour and goods *after the disappearance of the gold.* We may conceive, for the better explanation of the subject, though not historically, that in this case the bankers were struck with finding the same hoard of

[1] The order of the facts here is artificial, and chosen only for the purpose of exposition. The historical order is highly complex.

treasure remaining year after year in their vaults. Now and then a little was wanted for special purposes; but the bulk of it was invisible, for no eye had penetrated far beneath the surface. At length the thought occurs that, if honesty would permit it, this bullion may as well be made use of, for it never will be asked for; and the next thought is, that it may be allowable to lend some of it out on good security, so that if the owners *do* demand it, they will have either it or its equivalent. Some of the stock is accordingly lent, but still, by way of additional precaution, it is taken out of the bottom of the hoard, the top remaining visibly unaltered, and then all things go on as before, since no demand will ever dip deep enough to find out the vacuum. The bullion receipt retains all its efficacy.

The disengaged Paying Power now rises altogether into the region of spiritual things. It is *real*—nothing more so, though existing only in the mind, and as a law to which the general will is obedient. It floats over the whole mass of men's hard-won possessions—over their well-stocked warehouses, their goodly ships, their mills and mines, their flocks and herds and golden harvests, their villas and pleasure grounds, their labour itself, from that of the rudest kind to that of him whose genius inspires life into the canvas or the marble—and all own the spell. This new power is no longer a mere representative of wealth. It is an *addition* to what previously existed, and wants only the open sanction instead of the unconscious submission of the public. That sanction is not withheld. According to common apprehensions the community would be served and not injured by having the use of the dormant hoards. It has now the paper and the gold together; both alike having the force of money, and both alike money capital or money income, according to the design of the holders. Something like this is the present position of the Bank of England. Fourteen millions sterling are, as it were, taken out of the bottom of the hoards and replaced by Government securities; the Bank, indeed, being still liable to pay, as if every note had gold behind it; but the severance of the two to the extent named being complete.

The first *stratum* of credit being thus formed, as a clear addition to the previous aggregate of paying power, other layers are successively superimposed upon it. With the consent of society bankers issue their promissory notes payable on demand, with the expectation that, like the bullion receipts, the greater part will always *keep out*, continually moving goods and services between one person and another, and leave the equivalent given for the notes at the disposal of the bankers. There is no need to dwell on differences between notes, all giving the legal right to bullion; we may pass up to a still more delicate creation of banking ingenuity, namely, the transferable bank credit.

Bank Credits from Deposits.

Coin and notes being as yet the only paying power, when a man makes a saving, we must suppose it to be laid by in one or other or both of these forms. By himself, or by some one else, he intends to employ that saving with a view to profit, but does not instantly see in what way. Meanwhile he places it for safe custody with a banker, understanding that at any moment it will be forthcoming at his command. The form by which he makes the claim upon it is a cheque, or draft; and sellers, knowing how the matter stands, take the cheque as a full equivalent; but, as soon as possible afterwards, present it for the gold or notes to which it corresponds. At first it might seem that we have here a new element in the aggregate of paying power; but, as yet, this is not the case. The cheque, during its short currency, is a pure substitute for the notes and gold dormant, and dies, so to speak, the moment they revive. The two, as powers of payment, do not yet co-exist; because we have not yet supposed the banker to be at liberty to do more than give the use of his strong box to the depositor. But now behold a new development. As the gold in the original deposit banks accumulated in hoards, which promised to remain as immovable as the ground on which they stood, so do both

gold and notes now gather in the hands of our imaginary banker. What was done by one depositor is done by others, until they become so numerous a body, that a considerable portion of their payments are made *to one another*[1]. Such cheques, when presented, are no longer paid. If the separate deposits were kept in separate boxes, we may suppose that the banker takes the sum indicated by the cheque out of the hoard against which it is drawn, and puts it into that of him who should receive it. But his real method is simpler. He deducts the amount drawn from the credit of the drawer, in his own books, and adds it to that of the receiver. Perhaps the drawer of the cheque paid his butcher's bill by the operation. It is complete and final. The beef and mutton absolutely pass, without the passage of gold or notes, merely by an act of book-keeping. This is evidently a far more important step than the mere use of the cheque when it was always presented for money. The simple book credit is, as it were, a new form of the money power, like the external gold and notes, constantly in movement, but capable of infinitely more delicate manipulation. It pays without weighing or counting, or danger of loss; and when exchanges are carried on upon the most gigantic scale, still with the same facility and rapidity.

Bank Credits from Loans.

As yet, however, we have not got our third element fully extricated. For this book credit does actually exist as an *addition* to the mass of gold and notes; and, hitherto, we have only seen it acting as their convenient substitute. The final stage is reached when the banker, in view of his accumulated notes and gold, *lends*, by placing in his books the name of some one who has made no deposit, with a definite sum to his credit, as if he were a depositor. The new depositor may, like others, take out part in gold and notes, and leave part of his credit

[1] See Mr. Pennington's Letter at the end of Mr. Tooke's second volume.

to operate by transfer. In any case, there is *a new piece of positive capital created*, as an addition to the pre-existing stock of absolute paying power. All previous holders of gold and notes and credits could make payments to some definite amount, and now there is yet another person who can pay a definite sum in addition.

This new credit may be called a loan-credit, to distinguish it from credits previously corresponding to notes and gold held dormant. The aggregate of loan-credits, therefore, opened by bankers constitutes a clear addition to the previous stock of money. As the gold lent out of the original bullion deposit hoards rendered the corresponding bullion receipts an addition to the previous aggregate of money, so now the loans made out of deposits represented by credits leave a corresponding amount of those credits operating as a real independent power, when its basis is removed. And just as a large portion of the first loans of deposited gold came back again in new deposits, so we must now conceive the loan-credit opened by the banker as being, in effect, a delivery of the amount in notes and gold to the borrower, and an immediate receiving back of the whole, or a part of the same, as a new deposit. We have now a deposit *originating in a loan*,—and if such deposits could always be distinguished from the mass of original deposits, the subject would be simpler; but as soon as the borrower makes a payment, by transfer to a depositor—perhaps in payment of salary, or in exchange for goods—the credit assumes the outward garb of an original deposit, because it is held by a depositor who does not possess it by a loan. But the aggregate of new money, or paying power, created by loan credits, is still always a definite and ascertainable quantity, because it must exactly correspond to the loans made by bankers. These loans correctly measure the addition made to the previous aggregate of money; because each of them, if left as credit, is clearly an addition; if transferred as a credit, is also clearly an addition; and if drawn out in cash, must leave some equal amount of deposit credit unpro-

tected, and therefore is still an addition, by the cash drawn out, to that aggregate out of which cash payments could previously be effected.

Here, then, we have the third element of money, or paying power, in our threefold aggregate fairly eliminated; but the first glance at it is almost enough to repel the attempt to reduce it to any law, for it varies not merely from year to year, but from week to week, and from day to day; the whole outline which marks its upper limit being in one constant and tantalizing play of fluctuation. It varies from day to day, because a banker issues daily new loans on discount, and receives the repayment of old ones on the expiration of the securities on which they were lent. It is a cardinal principle of his art that the loans shall be for short periods, that he may have the gross amount perfectly under his control. He keeps his ship well in hand, as seamen say, by setting exactly as much canvas as he can take in, to the last flutter, if needful, between the moment in which he first sees the storm-cloud, and that in which he is struck by the squall. Sudden and dangerous, indeed, are the squalls to which bankers are sometimes exposed. The vulgar imagine that the great danger is a run for gold in exchange for bank-notes; but the greatest danger is in a run for deposits. The former makes the cash in the reservoir squirt out through pin-holes, the latter opens the floodgates. The banker grants every loan-credit at his peril, for it makes him liable to pay two parties with the same money. As, from the constant intermingling of transactions, each series of such credits becomes in its turn the foundation of a second and even a third series, the delicate structure is continually rising, while its base of cash is growing smaller, until its fragile proportions, contrasting with the vast weight of the transactions which it sustains—as in the case of the Crystal Palace itself—mingle awe with the admiration of the spectator. Light as it looks, however, it is equal to its burden, in all ordinary times; and, in extraordinary, we have seen how, with facility and speed, its upper stories can be made to shoot down

into the lower, like the tubes of a telescope, until only the more solid walls are left standing in front of the danger. It is a true fairy wonder; and of all the social architects who have to deal only with material interests, the bankers are those whose art gives the most distinct sense of the ascendancy over matter of a spiritual power.

London Private Banks form one Bank.

The private bankers of London, in consequence of the institution called the clearing-house, must be considered, with regard to the power of payment by book-transfer, as all one bank. In the clearing-house three millions are paid daily in this way, with a small sum in gold and notes for balances. Thus the most momentous alterations in property are effected—corn, sugar, wines, cottons, woollens, hardware, shares, funds, ships, houses, the solid land itself, all passing to new owners by a line or two from the pen of a book-keeper. What a mechanism is this, and, as human beings are its parts, what a moral discipline there is in it! What clearness of thought, exact subordination and obedience, patience, punctuality, fidelity are indispensable, to prevent it from playing off into irretrievable confusion! We are so accustomed to this beautiful order, that we never imagine what its disruption would be, though in truth an opening of the earth beneath our feet, and an upboiling of the nether abyss, would scarcely spread a wider devastation; but happily its harmonious revolution goes on from year to year with unbroken continuity, "unhasting, unresting," like the spheres in their silent path.

The bankers, then, by their loans, are constantly manufacturing this third element of money, pouring it out now with a full, now with a sparing hand, and watching always the rise and fall of the level within, according as the outgoing or incoming stream is of greater volume. The quantity of bank-made money thus kept at the disposal of the public is evidently at any moment equal to the difference between the

amount of the deposits and the amount of the cash held in reserve to meet them. At some period or other there were gold or notes appropriated, as it were, to each deposit, and such as are now no longer in their place must have been taken out on loan. It is indeed the old story of the bullion taken away from behind the bullion receipts, except that here it is taken not from the bottom of the hoard, but from the top and without concealment. Yet this must be received with some grains of allowance, for bankers are shy in talking of the amount of their reserves, imagining a little mystery useful, and apt to be haunted with the image of a rush of depositors. But my belief is, that the bankers of Great Britain, as a body, excluding for special reasons the Bank of England, do not keep by them, *in cash, one-tenth* of their deposits; yet those deposits, judging from Mr. Newmarch's estimation of discounts, must be more than one hundred millions sterling, operating, in addition to the bank-notes and gold outside the banks, as MONEY, whether capital or income[1].

Mr. Newmarch's Estimate of Discounts.

Mr. Newmarch's estimate of bills (inland and foreign) under discount at one time in Great Britain, including London, is this:—

I. Discounted locally—		
In Scotland . .	£10,000,000	
In England . .	12,000,000	
		£22,000,000
II. Discounted in London—		
With country funds .	£30,000,000	
By Bank of England .	5,000,000	
With London funds .	43,000,000	
		78,000,000
		£100,000,000

[1] This one item of information, the aggregate of banker's deposits, which might have been ascertained without alarm to the most timid, and which would have outweighed in value all the crude theories that swell the blue-books, was *not* ascertained

This exceeds a conjectural estimate[1], which I myself made, of the London discounts, but upon very inferior data, before the paper of Mr. Newmarch appeared. The authority of Mr. Newmarch, however, upon a question of this kind, ought to have the greatest weight, from his familiarity with both the theory and practice of banking, and the caution and conscientious care shown in his investigations. This aggregate of discounts must be taken according to the previous explanations to represent the amount of bank-made money existing at one time in Great Britain. There will still remain, of course, what may be called original deposits, or those made of savings out of income, to be taken into view, in order to conceive correctly the extent of this great paying power, kept in action over and above the mere amount of bank-notes and gold, by the contrivances of our monetary system. No doubt different portions of the aggregate exist in very different states of activity, from the large balances of income belonging to noblemen and country gentlemen, which may lie long unmoved at Charing Cross, to the merchant's credit in Lombard Street, upon which he is daily operating by his cheque-book, and which rises and falls with a velocity altogether startling to the slow rural mind. I have said that reserves are not kept equal to one-tenth of these deposits, in *cash*, because bills of exchange, however short and good, are still not cash; neither are consols or Ex-

before the last committee. I quite expected that the information would have been got at, in some way, by Mr. James Wilson, who showed himself fully aware of its importance in his speech upon the appointment of the committee.

[1] It was founded chiefly on the discounts of New York, the amount of which is, very wisely, published at regular intervals. The imports of New York being ascertained at the time to be about half those of London, and the tonnage of vessels entering its port in a still greater proportion, the inference suggested itself that the transactions forming the foundation of bills of exchange might in New York be equal to half those of London. But as the purely internal exchanges are greater here, it seemed right to take the amount of the London discounts as being four or five times greater. The New York discounts at the time being about £10,000,000 sterling, this would have given at most £50,000,000, whereas Mr. Newmarch's estimate, founded on the most valuable data and prepared with great labour, makes them £78,000,000.

chequer bills, though some bankers seem to think them so. In 1847, as Mr. Thomas Baring informed the House of Commons, silver bullion was found not to be cash, and Mr. Glyn told one of the Committees that there was a day in 1825 when consols were not saleable for money. All these securities are unquestionably certain to procure cash or money capital for a particular banker when pressed; but they are not certain to procure cash for *all* bankers when pressed at the same moment. In short, they are not cash in a crisis, which is the time when cash is most wanted. The nearest thing to money which is not properly money, is the credit which one banker may have on another, and which, in such a case as that of the credits held by the private bankers upon the Bank of England, can scarcely be practically excluded; but the admission of it does in effect add, or rather recognise as existing, a sort of fourth story in the edifice of credit, the height of which was sufficiently giddy before. But the settlement of this point is of no consequence in this place, and it should also be added, that even if the foregoing estimate of the aggregate of bank credits should be found excessive, and if it were taken at no more than half the amount, the difference would in no way affect any part of the explanations already given, nor any of the reasonings which are to follow in the present work.

This aggregate, whatever be its amount, forming part of the actual stock of money, is evidently the work of the bankers. It is a gossamer web, woven spider-fashion, out of their personal credit; or rather it is a highly-elastic medium radiating out from and drawn back to the bankers as so many centres, necessarily contracting or expanding in its whole volume as it does so, but governed by impulses, which cannot be fully shown, except step by step, and as the successive portions into which this work is divided present themselves. The whole is an organised and highly sensitive mass, of which each banker is as essentially a part, as each separate ganglion is of the whole nervous system of the human body.

Fluctuations from Confidence and Distrust.

The following remarks are all that can be offered, in this stage of the survey, upon the manner in which fluctuations take place in the aggregate mass of money. To a loan there are two parties—the borrower and the lender. The causes, therefore, which determine the increase or diminution of bank loans must be causes operating upon the wills of these parties. If borrower and lender both be willing, an expansion of loan credit follows. But if there arise a want of will on either side, contraction is inevitable. During a year of speculative excitement both are willing, and there is expansion. When the crisis comes borrowers are more than ever willing, but lenders are not, and there is contraction. After the crisis is fairly over the desire of the borrower for loans rapidly declines, while the desire of the banker to make them as rapidly increases, but the contraction remains almost unaltered.

The concurrence of both parties in an expansion is the result of that state of the general mind which is called *confidence*—confidence, namely, that the revolution of the commercial wheel will continue regular. The borrower takes the loan in reliance on the profitable return which will enable him to repay it; the lender agrees because he sees no cause at work to disappoint the expectation. This regularity depends upon correct estimates being formed, on the one hand, of supplies and cost, and, on the other, of the means of consumers. If the coffee and sugar come to hand, as was expected when the price of the present stock was fixed, and the retailers find their customers make the expected purchases; if the cotton spun by the new machinery finds the foreign buyer increasing his demand; if the railway (rare event!) is finished for the estimate, and becomes busy with all the traffic which was seen in the imagination of the projectors;—then the mechanism of credit rolls smoothly on all its axles. Bills due are promptly paid, high balances are left in hand, and the banker sees no sign of evil in the commercial horizon. Hope lives upon a little, and when

danger is out of sight, the step is short from confidence to presumption, though it is true here, as it always is, that "a haughty spirit goes before a fall."

When the belief in highly-profitable returns becomes widespread, the immense expansibility of that peculiar kind of money which banks dispense allows almost any amount of it to be applied to commercial enterprises. Then to every sanguine speculator is England herself El Dorado. The spirit of adventure is catching; it gets abroad and floats in the air, and, as the banker inhales it, he, too, yields to the delicious excitement[1]. Then is the time to give the vessel her head. Sheet after sheet the canvas is shaken out before the welcome gale, until the expanded mass impels the mighty fabric through the water with the lightness and speed of an antelope. But in a moment the sky may be overcast, cries of distress heard on every side, and soon the surface of the ocean covered with masses of the floating wreck.

The correct anticipation of supplies and cost of production on the one hand, and of the means of consumers on the other, being the condition of that regularity which encourages and allows a banker to raise his edifice of credit to the greatest

[1] This doctrine is not mine, though I subscribe to it. Here is the original teaching:—"When confidence is increasing, the spirit of enterprise beginning to expand itself—when hope in all its forms is coming into active operation—when prices are rising, profits increasing, and every merchant or tradesman, with a view of benefiting by these circumstances, is desirous of extending his operations,—the banker is looked to by his customers to act in concert with them, to facilitate their operations, and to distribute amongst them all the aid which the extent of his resources enables him to command. It would be difficult to show that it is not his duty, properly understood, to obey this call, and to assist the expanding energies of trade; at all events it would be practically impossible for him to act otherwise; he must conform to the tendency of circumstances about him; he *must breathe the atmosphere of opinion which surrounds him, and suffer himself to be moved onward by the stream of events in which he is placed.* For the practical truth of this view we may safely appeal to the experience of all who are conversant with business of this nature. A banker cannot contract his accommodation at a period when the whole trading and mercantile world are acting under one common impetus of expansion."—LORD OVERSTONE.

height, an error in any of these anticipations causes disturbance, and many errors cause manifold and aggravated disturbances. A worm in the cotton pods or an insect in the wheat may baffle the calculations of the keenest intellect in Lombard Street. If the West Riding finds a glut at the antipodes, or if the Russians furnish less than the expected quantity of hemp and tallow, instantly the markets are down or up, and the movement of prices transfers wealth, as measured in money, from side to side like the wand of a harlequin. Then, indeed, the banker has to keep a sharp look-out; he never can know the precise extent of the real disturbance of that balance which constitutes his safety.

It thus appears that the third and probably much the largest portion of our threefold aggregate, which operates as a power of payment in England, is a highly elastic and extensible material; so that, whilst distrust may cause it to shrink up into a comparatively small compass, and even in a certain extreme but still conceivable case to disappear altogether, confidence, on the other hand, that commercial transactions will flow on with an equable or perhaps a very gently increasing speed, may expand it to dimensions almost illimitable. The extreme case would be a general failure of bankers, whose deposits payable on demand, if they were all demanded at once, could not by any possibility be paid. The stability of the banks, however, and the long period during which bank credit has been one of the forms of money, renders a considerable portion of it as certain to remain through every crisis as any part of the gold circulation itself. If it were possible to have a return of the aggregate amount of bank deposits payable on demand, showing how much of the whole belonged to persons who did *not* obtain the credit by discount or loan from the banker, and how much belonged to those whose credits *were* created by loans—then the former portion of the aggregate would be all original money, whether capital or income, as being available for every purpose to which money can be applied; and the second portion would show, *not* the aggregate of loans or discounts—a certain amount of

which is *never* called in, and which would be included, though disguised and not recognisable, in the foregoing—but a certain very variable excess above that average *remaining* in the form of loan credit, and which may be called FACTITIOUS MONEY CAPITAL. The return could not be made with exactness, but the distinction exists in the nature of things; and the aggregate of credits, derived from deposits, even though the deposit of A is often partly made up out of the loan advanced to B, is a portion of the aggregate of money which no act of the banker diminishes; whereas the factitious capital runs down, as it were, of itself, when he forbears to keep it up by fresh discounts. The latter element of money is, as has been said, illimitable in a time of confidence, but still its amount *at a given moment* is never a vague, but always a definite thing. No matter how wild and extravagant the loans of bankers may be, it would always be possible, with sufficient information, on any given day to take pen and paper and put down the exact sum which the rest of the community could pay out in coin, note, or cheque, and then the addition of the bankers' cash reserves would make up the aggregate. That aggregate would, according to the common acceptation, be all MONEY.

It is now necessary to examine somewhat further that portion of the aggregate which is held as Money Capital.

CHAPTER III.

Money Capital.

"The history of what we are in the habit of calling the state of trade is an instructive lesson. We find it subject to various conditions which are periodically returning; it revolves apparently in an established cycle. First we find it in a state of quiescence—next improvement—growing confidence—prosperity—excitement—over-trading—CONVULSION—pressure—stagnation—distress—ending again in quiescence."

LORD OVERSTONE[1], 1837.

Savings in a Currency and in Commodities.

THE first portion of a currency that was laid by as a saving, was the beginning of MONEY CAPITAL. In it lay the germ of a new principle of industrial organization destined to supersede the early and barbarous institution of slavery, and perhaps to pave the way for forms of social union as much above our present attainment as that was below it.

That the separation of the paying power from the possession of commodities involved results different from those occurring in a state of barter, may appear from the different effects of a saving under the two systems. In a state of barter, a saving must be some *specific portion of commodities*. The capital thus created would be the articles actually laid by, and could be nothing else. To whatever extent accumulations went

[1] Monetary science unwillingly gives up the name of Jones Loyd, and only consents to do so on the ground that the act of the prerogative which changed it was an honour in a great measure done to herself. As an anonymous journalist, I have frequently had to oppose the views of Lord Overstone; but I can never forget that those brilliant pamphlets, in which the experience of the banker put on the scientific precision and polish of the schools, were my first introduction to the subject.

on, the things spared from consumption would remain unconsumed, and would always be forthcoming when the accumulator thought fit to exercise his ownership by lending them or applying them to some productive industry. When a saving is made by means of a currency, unless the social mechanism can exactly anticipate and provide for it, the result is different. The goods which the accumulator does not consume do *not* wait for his suspended demand. They move off at cheaper prices, and increase the shares of other consumers. When he comes forward again to take his arrears out of the general stock, whether as capital or as income, he increases the aggregate of purchasing power brought to bear against supplies not increased, and of course can only make good his claim by "crushing in," as Mr. Mill says, with others, for such a share as competition will leave him. The diminution of his usual demand in the first instance lowered prices; the subsequent increase raises them. In both cases the separate existence of the purchasing power causes the distribution of commodities to be different from what it would have been in a state of barter.

It is true that when accumulations become habitual, they are anticipated to some extent, and production takes such forms as are more or less adapted to the real demand; but as the growth of a separate paying power becomes greater, and the transactions of society become more complex, and difficult, even for those who have the best information, to forecast, it must happen that the divergence becomes every day wider between the movements of the new money capital and those of the specific capital or commodities with which it is presumed to preserve a correspondence. When it further comes to pass that large classes of fixed incomes and other engagements spring up, measured not in goods but in money, these must necessarily be new sources of discrepancy.

The nature of money capital will more fully appear in considering some of its relations to income. The capitalist exchanges it either for specific capital, by which I always mean goods of some sort, or for the services of productive labourers.

In the latter case it breaks up into streams of money income, which again reunite as capital, or are further subdivided, until they seem to thin out from the view, but still, after a thousand windings, make their way back to some aggregate of capital.

A farmer may spend in drainage a hundred pounds of money capital, itself a saving from his income: he distributes it among labourers whose services are his immediate return. The wages thus received are income. If part goes to the savings bank, it is again money capital, and finds its way to some of the great collections. The greater part goes for the food and necessaries, which in the shops were specific capital or capital in kind, and in the hands of the consumers are now specific income, or income in kind. In the hands of the baker, the grocer, the draper, the paying power thus received from the labourers, in exchange for goods, is all money capital, except a percentage which is profit to these dealers, and constitutes their money income. The chief part goes on, as money capital, to the miller, the merchant, the manufacturer, in exchange for portions of specific capital, in each case throwing off an edge or rim of profit, as its contribution to their several money incomes. Further, it may proceed to combine in one mass in payment of loans, or as a deposit with a banker. The several classes of money income formed out of profits are, in their turn, exchanged, against portions of capital in kind, and, on taking its place, become money capital.

Money the Basis of Industrial Calculations.

Money capital, or the conventional paying power, *forms the basis of all commercial and industrial calculations.* It is continually parting from its possessors, in the expectation that a return, with increase, will come back in the same form. The merchant begins with a certain definite property *not* in goods, but in the pure form of money, and his ultimate aim is, that that amount shall be increased and multiplied. The immense importance of this fact was first clearly seen by Dr. Chalmers.

Each separate transaction is incomplete, until it places at the merchant's command its appropriate portion of money capital. Stocks and works, tea, cotton, ships, mills, and mines, are all, in the eye of the capitalist, *means* conducive to the end of realizing money. The very essence of the commercial idea of *realizing* property, when any enterprise is at an end, consists in getting rid of everything tangible and saleable, in exchange for some definite amount of pure paying power.

The grand condition of success in all commercial operations is, that that money capital which, at starting, is parted with, shall be periodically replaced. There are no ultimate means of replacing it, except from payments made out of income. The blood leaves the head to proceed to the remotest extremities, and comes back through the veins, to be refreshed with new ingredients for another revolution. So capital flows out and returns through income. It flows into the minutest arteries, even into the miserable wages of the poor shirtmaker, and her scanty indulgence in the purchase of a pennyworth of tea is the return which that the minutest filament of income sends back to capital. The aggregate of income devoted to expenditure, therefore, in the words of Dr. Chalmers, constitutes the "Return Power" to capital. The sum total of the income spent is the sum total of the return which capital can obtain. It is only the money income *spent* which replaces money capital embarked in an industrial enterprise; what is *saved* from income is, indeed, transformed by the act of saving into money capital also, but it will make no return to the money capital which previously existed. On the contrary, it will enter into competition with it for profitable employment. In other words, it is a new accumulation of the paying power, which will look for its own return out of income.

Proportion between Capital and Income.

Money capital, then, having always to obtain its return out of income, and the governing motive in parting with it being to

get it back with increase, it would seem that the possibility of regularly attaining such a result must depend upon the maintenance of some definite *proportion* between money capital and money income. If the amount of capital employed, or ready for employment be greater than the amount of income devoted to expenditure, some of the capital must fail of its return. From this conclusion there can be no escape. But the question was long disputed whether each new addition of capital did not of itself involve some corresponding increase of income out of which it would draw its return. The more logical thinkers, unfortunately, took up premises, which excluded the great fact of the existence of a paying power, separate from commodities. From their erroneous data, they argued correctly, down to conclusions which contradicted the plainest experience. Others of less acuteness, but who were better observers, like Malthus and Chalmers, but especially Sismondi, who brought so many varied lights of history to converge on social phenomena, refused to believe that a social disease was not real, because it unsettled the formulas of the physicians. What these eminent men failed to develop with perfect clearness may be understood in the present advanced stage of general thought by far inferior intellects.

A "general Glut" habitual in England.

The truth is, that the peculiar state of things which was intended by the famous phrase "general glut," is not only possible, but has long been, in a more or less aggravated form, the *habitual*, though not the uniform, condition of England. It was never meant that the stock of every article in the price current might be at the same moment in excess, but that the general mass of commodities and services were pressed upon the market beyond its power of making a return for them. Nowhere were openings for making any certain profit thrown away for want of capital. Frequently capital was compelled to lie idle for want of openings. In the retail markets, by which,

of course, the wholesale must be governed, one saw, and sees, sellers everywhere running after customers, customers nowhere after sellers. In short, a general power of supply has been and is at half stretch, and is ready at any moment to start out into double activity upon the presentation of a demand. What is this but a general glut? The condition of the bulk of the middle classes, arising from this state of things, was depicted in 1833, by Mr. Gibbon Wakefield in one condensed phrase, the "uneasy classes," the truth of which everybody acknowledged. This is the normal condition of society in England—too many in the law—too many at the hospitals—too many in commerce—one mechanical trade after another of those embanked by combination gradually loosened by the pressure of the general flood, and settling down on that wide, desolate, defenceless level, over which, for ever, heave and roar the wild surges of universal competition. What is all this but glut, general glut, and its consequences? Such is, I say, the habitual condition of England: men of all classes, "uneasy," anxious to find secure employment, seeking to rise, still more fearing to fall, while capital is continually flowing together in great congested masses, and in vain seeking new outlets for its discharge. Since the last war this state of things has only been interrupted by those well-known decennial bursts of speculative, and ultimately disastrous, excitement, described with such concentrated power and awful truth in the words of Lord Overstone which I have placed at the commencement of the present chapter. Think for a moment of the import of the fact, that what those words describe is the life, the habitual life, of a people more favoured than any that have yet been permitted to look upon the light of the sun.

Each one of those speculative excitements operated precisely like blood-letting upon a person of plethoric habit. It gave immediate relief and left behind an aggravated tendency to a recurrence of the disorder[1]. The antecedent or predisposing

[1] See the Article on Accumulations of Capital in the *Quarterly Review*, Dec., 1847.

cause, or, to use Mr. Mill's accurate language, the most important portion of that "assemblage of conditions" forming the whole cause, in every case of speculative fever, was an accumulation of disposable money capital, the result of savings which the demand arising from the existing income was not sufficient to draw into employment. Mr. Tooke, though scarcely disposed to allow enough of influence to the facilities of the money market in fostering speculation, points out, with his usual candour, that the speculative seasons have been regularly ushered in by a low rate of interest, the usual indication of excess in the quantity of money seeking employment. The accumulations which lie idle are very much, if not altogether, the work of the non-trading classes. The savings of merchants and manufacturers are generally most profitably employed in extending their business, and are not so apt to go in quest of strange schemes, though the last *mania*, the most extensive that we have ever had, did spread amongst them widely. But, for the most part, commercial accumulations appear in the increase of fixed capital or larger stocks in the warehouses. It is landlords, professional men, including (I must say it) divines, annuitants, members of the well-to-do educated middle class, who are the creators of the most dangerous accumulations in the money market. And this gives this whole subject additional importance, because it renders each speculative outbreak the act, not of one particular class, but, in a certain sense, of the whole people of England.

Speculations convert Capital into Income.

When money capital has been thus drawn together in large masses, the whole monetary atmosphere becomes highly electric. An explosion is inevitable, but accident determines the precise moment and direction of the discharge. A prospect of profit in some new application of capital strikes the popular imagination. Light airs of speculation fan the money market. Thin clouds speck the horizon, indicating a storm. Men feel vaguely,

like cattle in the field, that something momentous impends[1]. At length the tempest bursts out in its strength, and all classes are carried away by its impulse. Immediately the dormant excess of money capital begins to pass into a state of the highest activity. It is advanced on all sorts of projects, the general characteristic of the whole being a *rapid conversion of capital into income*. That money or paying power which was in hands wanting to employ it for profit, now passes into hands which will use it as income. They bring it forward as so much new demand for consumption, which instantly increases the value of the goods and services they require, and one class of incomes after another comes to feel the force of the original impulse.

This process, by which money capital is thus rapidly converted into income, is evidently the reverse of that by which income is previously made to generate the excess of money capital. The saving, while it goes on, is in itself an abstinence from demand for consumption; a demand suspended, as it were, and held dormant, and its effect for the time is necessarily depressing to markets and prices. It is so much withheld from the aggregate which would otherwise be the return power to the money capital actually in employment. At length the disproportion between the accumulated mass of money capital and the aggregate of income reaches a point at which it cannot be sustained. The law of monetary equilibrium sets in, and the reaction is so rapid and violent that one year of speculative activity may be enough to carry off for the moment the results of ten years' saving. For reasons which will afterwards be seen, the excess of disposable capital on these occasions is always much greater in appearance than in reality, and the speculative impulse soon drives much more of it into income than would have restored the balance between them.

[1] Mr. Horsley Palmer said of 1836, if I remember rightly (I cannot now find the passage), that in the midst of the apparent high prosperity, there was a "moral apprehension in the minds of prudent men that mischief was abroad."

Destruction of Capital leads to Saving.

But if the progress of accumulation be slow in provoking that rapid and violent movement which counteracts it, the latter is not slow in setting to work the forces which repair its own devastations. A Californian, not long ago, signed a contract for the rebuilding of his warehouse while the engines were still playing upon the burning timbers of that which it was destined to replace. The indomitable thrift of the English nation is no less ardent to rebuild what the fire of speculation destroys. Like Edmund Burke, it cannot bear to see ruin on the face of the land. In the midst of the calamities and confusion of a crisis, the process of saving—that stern subjection of the present to the future, which is the inner principle of English greatness—recommences with new vigour in thousands of homes. All over the land contraction sets in at every point, in the aggregate of spending incomes, until the volume is reduced in even a greater degree than its previous expansion. No small part of this dangerously-reparative process, too, consists of the extraordinary gains made by *some* individuals and classes, at the expense of the rest, during the speculative periods and the panics which follow them. Of course what is taken from income in all these ways starts up in innumerable jets of capital, which flow into and soon fill up the exhausted reservoirs of the bankers.

Banking Facilities after a Crisis.

Hence arises the commercial languor, accompanied by great banking facilities, which always follows a crisis. The contraction of demand for consumption leaves all sorts of markets glutted with commodities. The capital of a trader exists in forms which are constantly changing, and it depends very much upon his own will what those forms shall be. In addition to what is his own, he usually holds a portion on loan, in the form

of discounts. Of the whole mass the greater part commonly consists of actual stocks of commodities, part of warehouses and other fixtures, and part is in the form of money capital; that is to say, in coin, notes, and his balance at the banker's. When a prospect of increased demand leads him to borrow more largely, he uses the loans to hold larger stocks, and sometimes enormous masses of produce, cotton, sugar, or corn, are held in this way in the expectation of rising markets. In every addition thus made to stock, that portion of his capital which is here called *specific* is evidently increased; and in precisely the same degree his money capital is diminished. The principle is no way altered by the cases in which stocks are held on credit, the money capital in those cases remaining unaffected until the expiration of the credit, when, of course, it is diminished for the individual who discharges the engagement, and increased for his creditor. On the other hand, it is evident that if at any time a merchant abstains from laying in fresh stocks, and suffers the progress of his sales to continue, his capital passes continually more and more into the form of money capital. The cessation of his demand upon the producer checks production and diminishes income, whilst the running off of his stocks into consumption restores out of the incomes which are still in course of expenditure, the equivalent which comes back to him as an addition to his money capital.

This running off of stocks is a usual consequence of a crisis. Traders, as it is said, do their utmost "to contract their engagements." Except where there is the surest prospect of profit, they provide for having to receive as much and to part with as little money capital as they can. Their demands, therefore, upon that general fund which bankers dispense are everywhere diminished precisely when capital to supply them is pouring in in abundance. The rate of interest rapidly falls. The money market is easy, and the commercial community in that state of calm and languid depression which follows the paroxysms of fever.

Money Capital lost reappears in new Hands.

In Mr. Mill's admirable explanation of the annual creation and destruction of the greater part of our specific capital, that is, commodities, he notes and explains the shallowness of the wonder caused by the rapid recovery of countries devastated by war. Similar, but not the same, is the explanation that can be given of the restoration of money capital after its destruction during a crisis. In war, capital in the specific form of commodities is really destroyed, though it is rapidly replaced by human labour. In a crisis, money capital is destroyed for a time by being transferred into income; but there is an absolute necessity for its coming back as capital. The sending of bullion abroad, or the failure of bankers, may make a gap in the aggregate of the money capital—the amount in the latter case being measured by the difference between the sum of the bankers' deposits, and the cash held in his hands to meet them; but the vast losses of commercial houses, or of private accumulators, do really return in the course of another revolution, and restore, though *in new hands*, and with a new distribution of property, very much the same state of real, as distinguished from factitious, money capital which existed before the convulsion; the main difference between the two cases being the destruction, in the latter case, of the confidence which existed in the former. In a word, the community, as a whole, has the same life and blood in it as ever; but it does not believe it. It is low-spirited, hypochondriac, or hippish, and will not dare, for some time to come, to indulge in the debauchery which was followed by so severe a retribution.

A definite Relation between Capital and Income.

The idea of a balance or harmonious proportion between money capital and money income, suggests the question in what way a relation of quantity subsists between them, and whether it can be measured. The returns from income to

capital are made in periods of every variety, but the annual production of crops renders it convenient to measure all incomes as annual. The aggregate of income is, therefore, the aggregate of *annual* income.

Of the whole aggregate stock of money or paying power, namely, bullion, bank-notes, and bank credits, every portion is held by some one, to be laid out either as part of his income or as capital. At any one moment, therefore, there is a certain definite portion of the whole held by the whole community, as income. The remainder is necessarily held as capital, and is, in fact, the then existing stock of money capital.

The sum of bullion, bank-notes, and transferable bank credits, would give us at any moment the then existing aggregate of money, including both income and capital. The same sum, after deducting the part held to be used as income, would give us the exact total of money capital; but the sum of the part so deducted for income is evidently quite a different thing from the sum total of *annual* income, and even if we knew the former, it would not enable us to know the latter. Few men hold a year's income in cash or at a bank, and the great mass of those who spend have seldom at command more than from a week's to a month's supply. As men's actions are so much governed by habit, it is certain that, unless when alarm leads to hoarding, the aggregate amount usually held in hand for expenditure bears some pretty constant *proportion* to the aggregate of expected annual income, but unfortunately neither term of the proportion is accurately known to us.

The income-tax returns [1], combined with some other and more uncertain data, have suggested rough estimates of the gross income of the community as measured in money. We know the aggregate of income assessed to the income tax, but we can only

[1] Of what immense value it would be to have a copious and clear digest of the information contained, and hitherto concealed, in the records of the income tax. Every object, of course, might be attained without a single disclosure injurious to individuals.

guess at the gross amount of the smaller incomes. Whatever it may be, it is a definite amount, susceptible of increase or diminution; and it is easy to conceive a measure by which, for a time, it might be considerably augmented. A large sum taken up by Government, or a railway company, and applied in wages and salaries, would evidently enlarge the gross income by more than its own amount, for after enlarging the income of the first recipients, it would go on from the increased demand enlarging other classes of incomes. The more rapidly taken up and applied, the greater the effect. It would not all be paid out at one time, nor, of course, all held as income at one time; but in proportion as each man came to believe that he could afford to spend more in the course of the year, he would naturally hold more at command for his increased current expenses. To many, especially of the working class, the actual proportion of the whole income held at one time would be even increased, and thus two sets of causes would draw into that part of the monetary machinery which distributes incomes, a large portion of what previously existed as money capital.

But it is frequently found that these large drafts out of capital into income leave the former apparently as abundant as before. During the war the Government drew upon the stock of money capital with insatiable voracity; but, though the rate of interest remained high, the capital was never exhausted. The loans were always to be had, and it seemed as if the water in the reservoir only rose higher for every new pipe of discharge that was opened out of it.

The causes which determine the variations in the amount of money capital are so veiled by the complexity of our banking and credit system as almost to defy accurate analysis. The materials for such analysis are only possessed by those who, in the actual course of varied and extended banking transactions, see the movement of that wonderful circulation which is the life-principle of modern industry, and is undoubtedly the most delicate and highly-finished portion of our whole social organization.

It is impossible to keep quite separate the different parts of this subject. They flow into each other. Such rough distribution as I have attempted, however, will assist the reader. Having considered money capital, I now pass to money incomes; an examination of which will more clearly show the nature of the transformations incidental to money capital.

CHAPTER IV.

Money Income.

"It hastens along, conflicting, strong,
Now striking and raging
As if a war raging
Its caverns and rocks among;
Turning and twisting
Around and around,
Collecting, disjecting
With endless rebound;
And darting and parting,
And threading and spreading;
Recoiling, turmoiling, and toiling, and boiling,
And so never ending, but always descending;
Sounds and motions for ever and ever are blending,
All at once and all o'er, with a mighty uproar,
And this way the water comes down at Lodore."—Southey.

Money Incomes from Foreign Trade.

In a country which draws the matter of its currency from abroad, money incomes cannot arise without exchanges. The exporter keeps, out of the gold brought home for his goods, the percentage of gain as his money income. The remainder of the gold travels on to the producing capitalist, leaves with him again a percentage as money income, and then flows on in separate streams into the money wages which labourers receive for their services. The several currents again flow off to dealers, reuniting at the different points, and leaving at each pausing place a deposit of profit, as money income.

Looking now at what is actually going on, and disregarding for the present official, funded, and professional incomes[1], it is evident that the great mass of exchanges which give rise to incomes may be divided into two great classes: namely, those which give incomes to producers, and those which give incomes to distributors. We have now to see the manner in which the application of capital gives rise to the formation of these several classes of income, which, if understood, will make it plain in what manner the different investments of new capital operate upon the aggregate of income.

Origin of Income.

Historically, income is the parent of capital, for it could be only out of the gains of the first labour that the first capital was saved. We see the process at the gold-mines. The treasure which the miner digs up is the wages of his

[1] In the analysis of incomes, a landlord may be considered as a sleeping partner with each of his tenants, who regularly receives their surplus profits, and sometimes a great deal more; but, practically, rents belong to that large mass of income which remains nearly stationary during the fluctuations of profits and wages. If we admit this, nearly one-half of the income assessed to the income tax, must be considered as absolutely or virtually fixed for long periods. Something like the following division of the aggregate would probably be found correct:—

Fixed or practically fixed.	£	£
Funded Incomes	27,000,000	
Official	10,000,000	
From lands, tithes, and houses under long leases, say	63,000,000	
		100,000,000
Variable.		
Variable rents of houses and other tenements .	30,000,000	
Farming profits	40,000,000	
Commercial, manufacturing, and professional . .	60,000,000	
		130,000,000
		£230,000,000

The aggregate of the incomes *not* assessed to the tax must be greater than that which is taxed, and contains a far larger proportion of variable incomes, the fluctuations in which, if they could be ascertained, would mark exactly the alternations of prosperity and depression.

labour, that is to say, *income*. As much as he *saves* at once becomes capital, which, however, never can be used as capital, without in whole or in part generating income. But in a state of society like England, it is more convenient and equally true, to make capital the starting point, and trace its course, as it flows off into income.

Capital applied to Production or Distribution.

Capital, then, may be applied to the production of material commodities or to their distribution. The classification is rough, but accords with real relations. Each great class is made up of subordinate classes, which ramify out and intermix; but the great trunks or stems can always be distinguished. The utility of the distinction depends first on this—that capital applied to production, as in agriculture, manufactures, railway-making, ship-building, must generally, though not always, be applied for a much longer period before obtaining a return, than in commerce, in which it may be used one week and withdrawn the next, according as the progress of sales disengages it;—but secondly, and chiefly, because capital applied to immediately productive operations passes more rapidly and largely into income than that which is applied immediately to commerce. The latter may take several steps before it gets much into income, and often only quickens the action of production at one period to retard it at another.

Distributive limited by Productive Capital.

Further, the capital that can be applied to commerce or distribution is limited by the capital that is applied to production, and, as the means of communication are progressively improved, tends to diminish rather than increase, in proportion to the amount of capital applied to production. For example, the aggregate of capital held by traders at this moment, in the

form of goods, is probably, in proportion to the aggregate of what is employed by the manufacturers, less than it was twenty years ago, because railway facilities enable a dealer to supply himself more quickly with what he wants, and therefore to effect the same number of sales with a smaller capital. There are also fewer goods on the road, as Mr. Wilson has shown in one of his excellent papers on the influence of railways. Mercantile capital, therefore, is clearly subordinate, and dependent upon productive capital.

The application of capital to productive operations will be more distinctly conceived by again breaking up the whole aggregate into parts, and considering the application of money capital—

1. To the creation of fixed capital.
2. To agriculture and mines, including all the forms of extracting raw produce from the earth.
3. To manufactures, which, however, for the purpose immediately in hand, may be joined with agriculture.

Incomes arising from Creation of fixed Capital.

To the first class belong such operations as land drainage (which, of course, must be broadly separated from the raising of crops or rearing of cattle), the making of railways, docks, and canals, ship-building, and the erection of factories, buildings, and the greater machines. This class deserves to be considered first, because in it capital sweeps out into incomes with the most ample stream, and remains longest in those channels. The great peculiarity of this application of capital is, that those who lay it out expect, by way of return, not a greater sum in the same form, but some great instrument of production or transport from the *use* of which an annual revenue is expected. According to the common and correct acceptation, money capital in these cases is destroyed, or sunk for the parties investing it, because what it produces does not replace their outlay in the same form; but, in fact, it almost

immediately enters into one or more of the circles of commercial revolution which carry it back as the return to capital already invested in other branches of industry. It thus quickens the return, and tends to increase the profits of such capital. The stock of capital disposable, or waiting for employment, before the outlay on the dock or the railway, is by so much diminished, and the money capital operating in commerce by so much increased. It will be seen presently, that the generation of new money capital in the disposable form instantly recommences upon the destruction effected by the drainage or railway outlay; but it is still true, that in no other way does so sudden and large an alteration take place in the proportions between the amount of money used as income and that which is held as capital. If, therefore, the equilibrium of money capital and money income was previously disturbed, by a preponderance on the side of capital, the *conversion* of such capital, as it is called, into fixed capital, is the most potent means of producing a contrary oscillation.

Capital applied to land drainage dissolves at once in a shower of incomes, in wages and salaries, and goes very soon as demand against all kinds of goods, and thus takes off the surplus stocks, which were previously blocking up the channels of commerce. In docks and canals, and notably in railways, a considerable portion does not go off in income, but is paid for the purchase of land, and therefore still remains in the form of capital, disposable for new employment, unless where the seller is a spendthrift. But there are no other forms of industrial outlay in which a rapid conversion of capital into income is more certainly effected.

New Money Capital saved out of Incomes.

Before proceeding to the second and third classes of investments, it is necessary to trace the steps of that nice process, by which income from its excess again makes good the gap left in the fund of disposable capital. We may take the case of a railway,

and remark, first, that great part of the outlay at once takes its place in the industrial circle as active money capital. For example, of that portion which goes to purchase rails, only the profit of the iron-master becomes income, the rest remaining with him still as capital. But confining the view to what is paid in wages and salaries, let us see what becomes of it. As disposable capital it is destroyed, the return being merely the bodily and mental work of the receivers, and finally the railway when completed. But out of the new addition made to income, there will be *some saving*, which is straightway disposable capital again. The remainder goes, to a greater or less extent, as *new* demand, against the pre-existing stocks; not only becoming for the most part money capital in the hands of the dealers in return for their stocks, but leaving them increased profits through increased prices; whereupon the new income again gives out new jets of saving into the general stream of disposable capital. The productive operation thus resolves itself into the destruction of the articles consumed by railway makers and the creation of a railway; whilst, during the continuance of the process, or immediately after, the money capital which was transformed for a time into income reappears as capital.

Incomes from new Capital in Manufactures.

In the second and third classes of investments, the proportion of capital which goes out directly as income varies considerably; but to whatever extent this takes place, there is a demand for consumption created, which quickens the revolution of the industrial circle. The difference between the application of new capital to the first kind of investment and to either of the other two, is this—that, in the former case, the return power is increased, for the capital is already active in commerce; but, in the latter case, although the return power is increased, yet as the capital requiring return is also increased, there cannot be the same effect produced upon prices, profits,

or incomes. An addition is made to the money active in commerce, but no such stimulus given to industry, and no such series of additions made to incomes, increasing the aggregate of income, as would result from an equal expenditure on drainage or railways.

Incomes derived from Profits.

The incomes immediately created by these modes of employing capital all agree in deriving their origin directly from capital. They consist, in fact, of the divided fragments of the capital or paying power that has been broken up. In yet minuter fragments they go in exchange against the commodities which the receivers consume, and thus yield a profit to the dealers. The incomes of the latter are thus a secondary formation, being composed of fragments of income. This is the prevailing character of the incomes of traders or distributors. Commercial clerks and other servants, who receive salaries or wages, indeed, derive them from capital, although they are distributors; and as small dealers come to be superseded by great establishments, the salaried class increases; but it is nevertheless the general characteristic of mercantile incomes to be composed of profit, and therefore gathered out of incomes. Such incomes, it is evident, must be immediately effected by fluctuations of prices, tending to vary sometimes directly, sometimes inversely with those variations, but always in the highest possible degree sensitive to changes in the amount of consumptive demand. Traders, of course, deal with traders, and, therefore, their own varying incomes operate upon each other; but the main current of causation, so to speak, flows from the *primary* incomes, or those derived from capital, to those incomes which are gathered out of incomes, and may, therefore, without impropriety, be called *secondary*.

Revolution of Capital and Income.

If this be true, amidst the infinitely varying and complex phenomena of society, a kind of general law of the revolution

of capital and income is discerned, the working of which may be thus expressed:—

Capital on its way out to production divides into wages and salaries, or primary incomes, which, after variously subdividing, recombine, and throw off profit incomes on their way back to capital.

In this case the point of departure and the point of return must lie in different branches of industry, the outgoing capital in one department always presenting itself as return in one or more of the others.

Return to New Capital.

But now we are brought up sharply by a difficulty which has often presented itself to economists, and which may be thus stated:—

The return power to capital is clearly the aggregate of income. Just so much capital can revolve and come back with its profit or successive profits in the course of the year, as is necessary to bring within the reach of the consumers the commodities and services in the prices of which their incomes are spent. No tossing backward and forward of goods between dealer and dealer can get rid of this limitation. New capital, therefore, must meet with a return, from increased income; but if it be also true that new capital is itself to constitute the addition to income, it would seem as if the famous image of the dog feeding upon his own tail exactly represented the position of the new capitalist. Mr. Mill's solution, as applied, however, to a state of barter, is, that such capital must be so distributed as that what is outlay in one department shall become return in another. But if the aggregate of new outlay and the aggregate of new return be equal, it does not appear where the surplus or new profit is to come from; and, failing this, of course the dog is still in the same predicament as before.

Return to Old Capital diminished.

The successful investment of new capital does actually take place under circumstances of so much complexity as to place great difficulty in the way of any attempt at analysis. In some cases new capital obtains its return, by taking away that which would have been made to other capital already in employment. Thus the earlier railway profits were obtained at the expense of various coach proprietors, carriers, and innkeepers, whose incomes were partially or wholly dried up, the expenditure which used to supply them being drawn off to the railway. Part of the return to railway capital, and to other capital, employed in meeting new wants, is obtained by calling into play as active demand that which may have previously existed as dormant income. The whole of the annual income *might* be devoted to expenditure, but, in fact, never is so, part being held back designedly and with effort as saving, part remaining as it were inactive, but at hand, for the use of its wealthy owners. If a new article of consumption is found, which excites the desire of the owners of such income, this dormant portion is called into activity. With respect to new capital invested in foreign trade there is no difficulty. It obtains a return only by meeting with increased demand in the foreign market. When it has done so there is an addition made to the incomes of the exporters, which then becomes an addition to the return power, ready to meet new capital invested in home industry. It is in this manner, that is to say, through the channel of foreign trade, that the chief additions are made to the aggregate of national money income.

Old Capital spent as Income.

The industry of the whole nation is composed of innumerable series of industrial operations existing in different stages at the same moment, the incomes derived from capital in one

case being the return power to capital in another. If these were adjusted with such exact harmony as to produce a perfect balance of outlay and return, it is not easy to conceive how a mass of new capital could be added to the stock in active and profitable employment, in a country situated like England. But this is never our actual condition. One or other portion of the old capital is continually losing its ground, and in the very process of doing so is going off as return to some other part of the old capital. For instance, a shopkeeper with a capital of one thousand pounds may find his business decline, from change of fashion, diversion of thoroughfare, or some other cause, and may go on living in his usual way until his capital is all gone. During this period, what he is foolish enough to spend as income continues to be the return to some portion of the old capital; but those portions of the incomes of his former customers which used to yield the return to his own capital have now gone off, and form the return to new capital, which thus becomes successfully invested. It is probable that there is in England a continually-increasing portion of capital in process of destruction, either by the decline of old industries, the undertaking of rash speculations, or the dishonesty of individuals who waste the property of others; and all such capital is actually destroyed by a process which causes it to pass into income, and thereby to become a return to some other capital whose owners are more fortunate.

Effect of New Income on the Aggregate of Income.

In addition to these circumstances favouring the investment of new capital, there is a further peculiarity connected with the mechanism by which incomes are formed, which causes every portion of new capital, applied as income, to increase the aggregate of income, and therefore the aggregate of the return power, *by an amount greater than itself.* If, for instance, a thousand pounds of new capital be distributed in the course of a year in wages to railway labourers, previously unemployed,

the aggregate of annual income is at once increased by that amount; but the wages of the labourers go immediately as new demand into the markets for commodities, and the profits and incomes of the dealers must thereby be increased, and then again another series of incomes increased through the action of the new demand of those dealers, until the whole return, which is brought back to the *aggregate* of capital, comes to exceed the return previously brought back, by an amount much greater than the thousand pounds of new capital spent upon the railway.

CHAPTER V.

The Revolution of Capital and Income.

"I pass through the pores of the ocean and shores;
I change, but I cannot die."—Shelley.

Law of Revolution.

From the principle stated at the end of the foregoing chapter it results that the more rapidly new capital is converted into income, whether in profitable or unprofitable speculations, the more rapidly will the aggregate stock of money capital be enlarged, after the usual revolution of commerce has brought back the capital out of the channels of income. This is, in fact, the main principle which governs the revolution of capital and income.

No matter how rash or wasteful the outlay, no matter how much attended with loss to individuals, the result to the *aggregate* of money capital will be exactly the same. I say to "the aggregate," because upon this point everything turns. After the most prodigal expenditure, whether by Government or companies, the revolution of twelve months will make the contents of the great reservoirs stand higher than ever.

This is a startling conclusion; it is arrived at deductively, and therefore by a method which in matters of such complexity is extremely liable to error. It appears to me, however, to be completely verified by the facts of our experience.

Verification of the Law of Revolution.

It is the key to the great phenomena under the Restriction Act. Mr. Blake has shown how the Government loans turned

the spare capital as fast as it was generated into income, and thus kept up a whirl of the whole industrial machinery, the like of which was never known before. The strain was prodigious; but as fast as the capital was taken off it reappeared spouting up through a thousand apertures. The Government loans not only did not diminish, but enormously increased the aggregate stock of monied capital, and there was also a great increase, though not a corresponding increase, in the stocks of commodities, on account of the stimulus given to industry[1]. In the same way our present abundance of disposable money capital is no doubt the return of the vast railway expenditure, and of the loan spent in Ireland.

If this be so, then, it may be said that we have a very simple receipt for becoming prosperous at any time, for we need do no more than squander our accumulated funds in any way that employs labour.

Money Capital squandered returns into new Hands.

Such squandering, if it were only of the capital *now lying dormant*, would unquestionably answer the purpose, and the funds so spent would first increase the aggregate of wages and profits, and after doing so find their way back to the money market. The process, however, is open to this objection, that

[1] Mr. M'Culloch is one of the most distinguished disciples of Ricardo; and his complete edition of Ricardo's works is not the least of his many claims to the gratitude of students, for, whatever errors they may contain, those works must always be important in the history of the science. But the real value of Mr. M'Culloch's own publications arises from his having totally departed from the abstract method of his master, and his argument against the principle laid down by Mr. Senior falls with its whole weight upon the practice of Ricardo. Mr. M'Culloch's knowledge of the economical condition and history of England can scarcely be exceeded, and he has satisfied himself as to the *fact* that the wealth of England *was increased* during the war. But the supposed cause, namely, the stimulus of taxation, satisfies no one but himself. The above development of Mr. Blake's explanation I think must now convince him that the true cause was the stimulus of a constantly-increased demand, the sudden cessation of which, in 1815, rendered the stimulus of taxation intolerable.

it would be made wholly at the *expense of the capitalists*. The return would be made to the aggregate stock, but in the hands of *a different set of persons* from those from whom the outlay proceeded. The precise evil of the war expenditure was the immense transfer of property, which was in this way brought about. The food and clothing consumed by soldiers and seamen, the ships' stores and ammunition wasted, the manufactured goods and colonial produce, the export of which paid the chief part of the subsidies to foreign powers, and the whole amount of gold withdrawn from the currency and sent out of the country, were losses absolutely trivial compared with the disturbance caused by the unnatural and pernicious impulse given to the growth of the money power. The mass of the nation was made drunk with industrial excitement, by an artificial demand, and during its intoxication it was induced to mortgage away, as of no moment, the inheritance of those who were to come after. A greater immediate sacrifice would have saved much evil. The mischief is done, however, and in bearing it as well as we can we must remember that, at the worst, it was not too great a price to pay for maintaining intact the sacredness of the English soil.

The Revolution may be quickened or retarded.

If the view here given of the relation between money capital and money income be correct, it will appear that the industrial revolution, by which the former passes into the latter, and again reappears with increase in its original form, may be at any moment either accelerated or retarded. Every saving made out of income, so long as it remains in the form of unemployed or disposable money capital, is a diminution of demand, and therefore retards the industrial revolution.

Every investment of new capital, by creating an addition to income, increases demand and quickens the industrial revolution, even when the investment does not prove profitable. Every such investment, however, which is *not* profitable quickens

industry only while the outlay of capital lasts, and is then followed by greater stagnation than before.

Law of the Increase of Money Capital.

In these propositions lies the law of the increase of money capital, and in connection with it should be noted the manner in which that element of money which has been called in a previous chapter bank credit, or bank-made money capital, adapts itself to every acceleration of the wheel of industry. Every new amount of money which passes into income, by creating new demand, opens exactly that prospect of gain which increases mercantile speculation, and the advances of bankers to support it. The new investment, indeed, may be imprudent, and in that case the merchants and bankers depending on its return will lose, but others will gain; and the most rapid conversion of capital into income would not create a demand so great as that bank credit would not be able, by its expansion, to furnish the monetary means for producing and distributing the goods which it required.

But whatever be the law which determines the increase of money capital, it is in the order of cause and effect superior to, and must regulate, the increase of specific capital, or capital in the form of commodities. Everybody knows that new demand is almost instantly followed by new production. In the mills of Manchester and Leeds, or the workshops of Birmingham and Sheffield, the productive power scarcely ever attains its full stretch. Agriculture, of course, yields more slowly to the impulse, but during the extra demand of the late war the increase of agricultural production in England was almost unparalleled, and under free trade every spinner and knife-grinder who can find a market abroad, must be considered as a real producer of imported corn.

Mr. Mill's Law of Increase.

The law of the increase of capital, sanctioned by Mr. Mill, appears to me to be either absolutely not true, or, if true in any

sense, to be so completely severed by abstraction from all the disturbing forces which concur in the production of actual results as to be of no practical use whatever.

That law, as I conceive it, is contained in the following propositions :—

1. So long as the standard of comfort amongst the labouring class remains unaltered, there is some definite quantity of food and other necessaries, without which a labourer cannot bring up a family, and that quantity is the *moral minimum of wages.*
2. The tendency of population to excess prevents actual wages from permanently exceeding that moral minimum.
3. Whenever new capital is applied to land, the return is some definite amount of produce determined by the operations of nature. That return replaces the wages of the labourers, and yields, besides, a surplus which is profit, its proportion to the outlay determining the rate of agricultural profit.
4. The rate of agricultural profit so determined, or that obtained at what Dr. Chalmers calls the margin of cultivation, determines the rate of all profit.
5. Hence the observed tendency of general profits to fall is to be referred to the constant diminution in the proportionate returns which land makes to new capital.

The law involves all these particulars, and I am obliged to state them in my own language because I cannot find them presented in one view in the writings of any of the economists. The long chain of deductions which it exhibits, however, involves processes of such length and complexity that the connection between the first premises and the last conclusion appears to me to be almost as slight and distant, as if one should say that the currents of the Atlantic affected the height of water at London Bridge. There is no doubt some connection between the two, but none which the utmost progress of science will ever make appreciable in the navigation of the

river. The stress laid upon these unqualified and unverified deductions appears to me to be the peculiar vice introduced into economical reasonings by the example and influence of Mr. Ricardo, and it is only to be got rid of by a careful application of the principles of inquiry which Mr. Mill has laid down in his logic of the moral sciences.

A single appeal to experience is, I think, sufficient to overthrow the supposed law as showing the cause of the decline of profit. It is admitted by Mr. Mill, and is indeed notorious, that, owing to agricultural improvements, the law of diminishing fertility of land may be and has been practically *suspended* for a long series of years. During such suspension, however, all the common phenomena of declining profits have presented themselves, and therefore, of course, must be traced to causes quite unconnected with the state of cultivation.

Profits and Wages may both fall.

Profits, then, are not determined by wages, or by the fertility of the land, but by the competition of capitalists, which reduces them to that minimum which is the least that will induce men to abstain from consumption. They may fall, therefore, while the margin of cultivation remains stationary. Profits and wages are not cause and effect, but co-ordinate effects of that cause, or assemblage of conditions, which determines the equation of demand and supply, between the wages fund on the one hand, and the amount of labour on the other. The moving forces are the desires, calculations, and competition of labourers on the one hand, and those of capitalists on the other.

Further, both profits and wages, as measured in money, may fall at the same time, from the double pressure of unemployed money capital and unemployed labour, to the advantage of all those who hold, in the form of dividends, rents, or salaries, fixed or nearly fixed claims on the receipts from the annual produce.

The line of revolution of capital and income has been com-

pared by Sismondi to a spiral; that is to say, to a curve of that kind which goes round in ever-widening folds, the space between the returning line and that beneath it marking the margin of profit. To make the image true, however, we must suppose that space growing narrower with every sweep of the curve, so that the latter tends to settle into a perfect circle. This would represent the action of the law of profits during definite periods in England.

CHAPTER VI.

Prices and Currency.

"So down he came; for loss of time,
Although it grieved him sore,
Yet loss of pence, full well he knew,
Would trouble him much more.
* * * * *
"'T was long before the customers
Were suited to their mind."—Cowper.

Prices distribute Commodities.

Prices form a mechanism of extreme delicacy, by which, on the one hand, those real commodities which constitute real income are distributed to the consumers, and, on the other, the money incomes of consumers are drawn back into the form of money capital, so as to complete the operation of the capitalist. All produce of labour, as it leaves the hand of the wages-paid labourer, is capital, in the form called in this work *specific*. The grain from the farm, the cotton or the sugar from the plantation, the goods from the factory, are all specific capital; but sooner or later these masses break up into minute subdivisions, and become the specific ingredients of income. Their purpose is to be useful to man, and they can only be so by coming to be consumed by him in this form. That movement of money capital and money income which, constantly revolving in a contrary direction, corresponds to and meets this revolution of specific capital and specific income, has been already sufficiently explained. But there is still required an explanation of the laws regulating the variation of prices, and of the connection which income and prices have with the amount of the currency.

Retail Prices govern wholesale.

Prices are of two kinds, retail and wholesale.

Retail prices are those at which commodities are bought by consumers, but, in any scientific reasoning, must be considered as far as possible free from those accidental additions which custom or carelessness may make to them in particular cases. The general retail price of a commodity will then be that average price at which the actual supply of it can be disposed of by the whole body of retailers to those who want it for consumption.

Taken in this sense, it will be evident that retail prices must govern wholesale prices, or those paid by one dealer to another. No matter how many dealers may intervene between the producer and the consumer, these two parties at the extremities of the chain determine the permanent points between which prices oscillate. No speculation can cause more than a temporary disturbance.

Retail Prices limited by Incomes.

Every consumer proceeds upon some estimate of the sum which he can *spend* in a given period. Whether this be fixed or variable, his expectation of what it will be governs him. The amount of money which passes through his hands as capital, supposing him to be a dealer, or the extent of credit which he may have with his banker, or the merchant or manufacturer who supplies him with goods, have properly nothing to do with the matter. If a shopkeeper, in turning a capital of ten thousand pounds, derives from his profits a spending income of only five hundred a year, his power as a consumer is exactly the same with that of the surgeon, who receives fees to the same amount, and sees them vanish to landlord, tax-gatherer, and tradesmen, as fast as they come in. Dishonest exceptions do not hinder the generality of the rule. Each can

only pay, for all the goods and services he requires, the sum total of his spending income. If he pays more for bread and meat, he must pay less for wine and coach hire. When necessaries become dearer, he either obtains luxuries cheaper or goes without them. But if the income of each consumer determines the sum total of the prices that he can pay, the aggregate incomes of the body of consumers must determine the sum total of prices that can be paid for all things that go into consumption. Hence, prices and incomes being measured in money, it is totally inconceivable that an enhancement can take place in prices *generally* without an enlargement of the aggregate of income. It is true that every change in prices affects one or more classes of incomes, and that in a general rise of prices many commodities become dearer, while certain incomes only follow the movement, and others remain stationary; but still it will also remain true that each portion of commodities, as it goes into consumption at the higher price, is bought by the consumer upon a previous view of his income. Hence a rise in general prices requires, as an indispensable antecedent condition, a rise, *not* in each class of incomes, but in the aggregate of income, that is to say, in the sum total of the fund which the body of consumers calculate upon as available for expenditure.

The prices which retailers, and those who offer personal services, can obtain, are clearly fixed by the means of the consumer. Yet the proposition that retail prices govern wholesale prices may seem to conflict with some common appearances in the wholesale markets. The banker and the speculator are supposed to exercise great power in raising and depressing prices, and there can be no doubt that a great facility in obtaining capital on loan does contribute to raise the prices not only of one, but of several articles. But these fluctuations are only *temporary*, and whatever power over the markets may be assigned to expansions and contractions of credit, they are still always subordinate to the two great considerations which govern all *bonâ fide* dealers; namely, first, the probable extent of the

supply within a certain period; secondly, the price at which that supply can find purchasers in the retail market[1]. In great articles, of which the supply from year to year may vary greatly with harvests, as corn, sugar, cotton, the first consideration is always the probable supply. The supply once ascertained, or supposed to be so, there is some price at which the whole may be expected to go into consumption. At lower prices it will not, at higher it cannot, be disposed of. At that point, then, the price tends to settle, and no efforts of speculation can cause a great or prolonged deviation from it. Let the cotton crop be short, and the most wide-spread destruction of credit will not beat down the price perceptibly; let it be abundant, and hoards of capital will not prevent a fall. In articles like manufactured goods, of which the supply may be regularly increased or diminished, those who regulate it consider the cost at which they can produce, and the quantity that can find consumers at that price. All intermediate speculations are corrected and controlled by these two considerations.

Of course there is continually disturbance, both from miscalculation and dishonesty. Both the yield of crops, and the means of consumers, are under or over estimated, and prices fluctuate accordingly; but at the bottom of such variations, and controlling them all, are ever working the forces which carry out the general law that has been indicated.

Retail prices, then, govern wholesale prices, and are themselves governed by the amount of incomes devoted to expenditure.

Increased Income antecedent to Depreciation.

Hence, what is called the depreciation of a currency, or a state of things in which an increased amount of it should be

[1] This is in effect a repetition of Mr. Mill's exposition of the equation of demand and supply, one of the most important contributions, as it appears to me, ever made to economical science. I may add that Mr. Tooke's great work abounds with illustrations of the immense effects on prices of variations in supply. Yet the abstract treatises take little notice of this cause.

required for all purchases, cannot be effected without an antecedent enlargement in the aggregate of money incomes. For example, it cannot come to pass that A, whose income is now five hundred pounds a year, shall pay a shilling for the loaf instead of sixpence, twenty shillings for a pair of shoes instead of ten, two hundred pounds in house rent and taxes, instead of half that amount, and so on, unless he finds himself, by some means or other, enabled to expend a thousand a year where he could formerly lay out only five hundred. With income doubled, and the stock of commodities and the state of banking remaining the same, it might be expected that a double quantity of gold would be required and held in circulation.

Income and Transactions limit Currency.

The meaning of the word currency is unfortunately contested as hotly as any dogma in theology, but the settlement of the point becomes of very little consequence if it be found that the amount of gold and bank-notes kept in circulation is determined by, instead of determining, the exchanges to which it is subservient. In a country where no exchange was ever made without money, it would be clear that the currency meant simply the quantity of the gold or silver pieces used in exchange by the community. The amount of those gold pieces would be determined, partly by the rapidity with which they went from hand to hand, and partly by the number and magnitude of the exchanges effected. The rapidity of circulation being given, and the number of exchanges composing the one great exchange between producer and consumer being given also, there would be some ascertainable *proportion* between the amount of the currency and the amount of monied incomes. As each piece of coin would distribute to consumers much more than its own value of goods and services, from passing backward and forward and being employed more than once by the same person, it is evident that the gross amount of currency would be *less* than the gross amount of annual income. We

may assume that it might be one-half. If in such a case every man paid income tax, and the whole community were assessed as having ten millions of annual income, five millions of gold pieces would effect the necessary exchanges. If the income fell off, so that the aggregate of purchases for consumption fell to eight millions, five millions of sovereigns could not be retained in circulation. If it rose to twelve millions, either the currency must be enlarged, or some expedient found for accomplishing exchanges without it; such an expedient is the introduction of credit, which, as has been seen, may come to operate like gold. The introduction of credit renders it possible for the aggregate of monied income to increase enormously, whilst the currency itself either does not increase or remains actually stationary. But an increased currency cannot be kept in action except by increased money incomes, and a reduction of money incomes is necessarily followed by a reduction of the currency. We know exactly the currencies of Scotland and Ireland, where one-pound notes are used instead of sovereigns. In Scotland, with a steady increase of wealth and gross income, the currency is stationary, because a continued development of the banking or credit system performs the increased exchanges. Scotland even shows that the tendency of a credit system is to produce a continual diminution of the currency. Ireland, always at hand as an example of ill fortune, illustrates the other part of the proposition. The potato failure caused in that country a destruction or diminution of incomes in all classes, peasants, farmers, landlords, clergymen, lawyers, and traders. The aggregate of purchases for consumption was reduced in an unparalleled degree, and the currency being too abundant for the work it had to perform, fell away to the extent of nearly one-third, until there remained only enough for the languid commerce of the famine-stricken people. It would be easy but tedious to trace the exact steps of this process; enough has been said to show that the amount of currency (banking expedients remaining the same) does not exceed some definite proportion to the amount of incoms.

Increase in Aggregate Income precedes Depreciation.

Hence it arises, that every depreciation of currency follows upon some extension of the amount which individuals have to spend for consumption. A depreciation of one-half means that nominal prices are doubled; that is, that twice as much of the currency is given for goods and services as before. If the same amount of goods and services are disposed of, the aggregate of incomes actually spent must have been doubled. In a country like California or Australia, this duplication of the sum total of incomes, as estimated in money, may take place rapidly. The new gold becomes income almost as soon as it is found. The miners lay it out at once and largely on articles of consumption, which, not being proportionably increased in supply, are sold at increased prices. The incomes of the dealers, and of all persons who render services to the miners, are proportionably increased. The alternative which everybody has of going to the diggings, enables him to obtain an equivalent if he does anything else which the diggers require; and very nearly the whole mass of exchanges made for consumption comes to be made with consumers who have succeeded in obtaining the enhancement of income. As long as this enhancement of income goes on, the supply of commodities and services remaining short, prices will continue to rise, and more gold being wanted for each exchange, the currency will go on augmenting in volume and sinking in value. The movement will not cease, until the aggregate of income has become great enough to enable prices to be paid which will require the whole of the gold in the currency.

But the action of new gold upon incomes in a country like England, where the sources of income are so varied, and commercial relations so vast, multifarious, and complicated, must be very different. It must be gradual, irregular, and productive, while it lasts, of changes the most momentous. Moreover, the currency of England does not, as in a rude country, bear a

large, but a small, proportion to its income. Credit performs so large a part of the business of exchange, and so large a proportion of the incomes is paid and spent from month to month, week to week, and day to day, that we may safely set down the currency as being no more than equal to *one-fifth* or *one-sixth* of the annual incomes. The incomes annually spent in England and Wales cannot be less than four hundred millions, while the currency of coin and notes equal to coin is not more than seventy millions. The gold in circulation scarcely exceeds forty millions. In order, then, to sustain a gold circulation of eighty millions, which would be necessary if gold were depreciated one-half, the spending income of the whole community must be raised to double what it is at present. Some of the incomes being absolutely fixed, and others nearly so, the enhancement must be all the greater, in those which are as it were most nearly in contact with the new gold. In any case, the revolution to be thus accomplished must be more momentous than almost any peaceful change of which history contains a record[1].

[1] The slowness of the process of depreciation has been noticed by Mr. Fullarton in the following passage:—"It is in these causes only we have to seek for an explanation of that very striking phenomenon in the history of prices, the exceedingly slow and gradual process by which the great revolution of prices which followed the discovery of the South American mines was effected; and, what might seem still more unaccountable, the *tardy reluctance with which the first downward impulse was given to prices in France*, even under the overwhelming pressure of the assignats." It was not, in fact, till the year 1570, sixty-eight years after the first considerable shipment of specie from South America by Ovando, forty-nine years after the capture of Mexico, and twenty-eight years after the mines of Potosi had been at work, that any very sensible effect was produced on the general prices of commodities in England; nor have we any evidence to show that the advance commenced in France, in Spain itself, or in any other country of Europe, at a much earlier period. It is likewise an authentic fact, attested by Mr. Arthur Young, that in May, 1791, after the assignats had been for eight months in circulation, and after many hundred millions of them had been issued, the prognostics of enormous depreciation which had been pronounced by M. Decretot and M. Condorcet, "were not verified;" that the expected rise of commodities had not taken place; that corn

Before attempting to trace its initial stages, it is necessary to examine somewhat minutely that all-important part of the monetary system of England which is called the MONEY MARKET.

had rather fallen in value; and that the discount on the paper (from 7 to 10 per cent.) was not higher than it had been at Bordeaux in September, 1790, the first month of its creation. Yet, by 1796, the value of the assignat was reduced to the three-hundredth part of its nominal amount.

CHAPTER VII.

The Money Market.

"*Shylock.* Three thousand ducats, for three months, and Antonio bound.

"*Bassanio.* Your answer to that.

"*Shylock.* Antonio is a good man.

"*Bassanio.* Have you heard any imputation to the contrary?

"*Shylock.* Ho! no, no, no, no! My meaning, in saying he is a good man, is to have you understand me, that he is sufficient: yet his means are in supposition: he hath an argosy bound to Tripolis, another to the Indies; I understand, moreover, upon the Rialto, he hath a third at Mexico, a fourth for England,—and other ventures he hath, squandered abroad. But ships are but boards, sailors but men; there be land-rats and water-rats, water-thieves and land-thieves; I mean, pirates; and then, there is the peril of waters, winds, and rocks. The man is, notwithstanding, sufficient;—three thousand ducats;—I think I may take his bond."

MERCHANT OF VENICE.

The Dealers in the Money Market.

THE money market, like the greater portion of the commodity from which it derives its name, is invisible. It exists only as a creation of the mind. Sometimes the imagination pictures it as floating between the Bank of England and the Mansion House, as a man, according to his temperament, vaguely conceives his soul to hover about his head or his stomach. But, in truth, the money market, like the principle of life, is everywhere. It is the nervous system of the whole material organization of society; its governing masses being in London, but filaments through which, with electric speed, sensations are received and impulses transmitted are spread out through all parts of the kingdom. Of course it happens that, like M. Jourdain speaking prose, many worthy persons belong to the money market without knowing it. From the Bank of England at one end, to the thrifty maid of all work who deposits her savings at the other, it includes all who are lenders or bor-

rowers of money. In the centre of the whole, grand and gigantic, stands the Bank of England, like Jupiter among the Olympians, able at times to hold all the rest suspended by a chain. Next in order come the private bankers of the City, the aristocracy of the profession, who, with their clearing-house, form, in the way already explained[1], one united institution. Outside these, and by an illiberal and absurd regulation excluded from the clearing-house, stand the various joint-stock banks, from the London and Westminster, operating with three millions of deposits, to the youngest member of the family which starts with a modest capital of fifty thousand pounds. In appearance, humbly beneath all these, but in truth familiarly amongst them, glide about the brokers, an altogether peculiar class of men, like Oliver Le Dain, Barber Premier of Louis XI., caring more for the substance than the show of power. It is their business to know, and they *do* know, everybody and everything which can have the remotest practical relation to money. They have the mesmeric faculty of thought-reading. The exact figures of a merchant's balance sheet, though a profound secret between him and his head clerk, they know how to decipher in the quiver of his lip or the wrinkles of his eye. They can tell a bad bill by the *feel*, and if there be a taint of bankruptcy within miles, they snuff it in the air. These are the architects who build the most lofty and delicate portion of the edifice of credit, and under their skilful hands its fairy pinnacles shoot far into the clouds. Ever on those dizzy heights, where their work of doing and undoing is incessant, they tread the edge of precipices like alpine goats, and though it be but a hair between them and destruction, that hair is almost always sufficient.

Not distant in space, but in a wholly different atmosphere, are the bankers of the West End, some of them with a history going back to the time when Charles II. plundered the goldsmiths. These are the bankers of the peerage and the country

[1] Page 18.

gentlemen, sharing somewhat in their calmness and easy strength. The pulse does not beat here with the quick stroke of Lombard Street, nor are they the men foremost in a crisis to go up with white lips to the Chancellor of the Exchequer. Humbler, and yet akin to these, are the provincial bankers of the rural districts, excellent men in their way, pleasant in stories of hair-breadth 'scapes in panics and convulsions; not too strict to lend now and then upon a mortgage, and think it a good banking security, knowing every tree and hedge-row in the acres which it pledges, but thoroughly useful withal, from their local knowledge and connections, and who would be ill replaced by the stipendiaries of a central and distant board[1].

Then there are the joint-stock banks, all fairly proud of the storms they have so bravely weathered, some of them, and good ones, too, in that beautiful but stagnant west, others in the north, full of its active energy, sometimes rash, but always capable of learning wisdom from disaster. Still beyond are the bankers of Scotland, the most distant of the provincials, but nowise provincial in knowledge or skill. Keen and alert without the Lancashire hardihood; scientific, yet practical; valuing good theories, but yielding up no facts; able to sift the wheat from the chaff of the economists, and not afraid to cross

[1] I am not able to see the great evil which is thought by some high authorities to have been inflicted on the country banks by the Act of 1844. The whole of the reasoning in this work goes to show that the fundamental principle of that measure was erroneous; but the new gold promises to render its main provision a dead letter. The pressure of the "strait waistcoat" can scarcely be felt any more. But putting out of view the main principle, the details of the measure were a masterpiece of practical skill. Antecedently it could scarcely be thought possible to interweave a mass of materials so heterogeneous into one uniform system, without crushing or arbitrary violence. Yet this was done. Considering the views of the legislator, every existing interest was handled with the utmost tenderness. The law took effect, as it were, over their heads, and until the shock was given to the Bank of England there was no disturbance. As to the limitation of country issues, it is surely a trifling matter whether they may be a million more or less. What is a million of capital distributed amongst all the bankers of England? This acknowledgment appears to me to be due to the memory of a great man whose errors were borrowed, but whose skill in practical statesmanship was all his own.

swords with a Grote or a Baring before a committee of the House of Commons; these men are consummate masters of their craft, and they have reared up a system of banking, which for its purpose and its place stands unrivalled. It is a body from which every particle of loose flesh has been worked off, leaving nothing but the muscle and bone of solid utility. It is strong because it is a *growth*, the growth of generations, intertwined with all the habits of the people, and protected by their confidence and pride. It was not unworthy of the genius of Scott to pause for a moment in his imperishable creations, in order to defend such a system from assault. But the thought of transplanting it elsewhere is vain. It is "racy of the soil." It must for ever remain as peculiarly and beautifully Scotch, as the poems of Burns or the heath of Ben Lomond.

Last within the circle of the money market are the banks of Ireland, standing answers to the vulgar prejudice, that industrial enterprises must needs be ill-managed in that region. With one notorious exception, in the panic of 1837, which had a counterpart even in Manchester, the Irish joint-stock banks have suffered no taint of discredit, and have aided much in the development of industry and the business training of the people. The Bank of Ireland is a miniature copy of the Bank of England. Splendidly lodged in that noble pile in whose halls the voices of a Grattan and a Flood were wont to be heard, the Irish heart is too apt to regard her as an intruder. But her busy aspect should rather teach the lesson, that it is vain to live in the past. The present is our own, and out of its actual materials, however prosaic, is to be wrought that future which is all before us. The Bank of Ireland is an honester and better body than the Irish Parliament. It has taken no bribes, betrayed no trust, and never failed for an hour in any of its engagements. These are truer elements of national wealth and worth than the eloquence that can bind the senate by its spell, or the wit that sets the table in a roar.

All the Banks form one System.

The unity of this multitude of banks spread over all parts of the United Kingdom, depends upon two facts. One is, that all have from time to time a necessity of making payments in the metropolis, which is done by simply ordering it to be done by some London banker or broker, who is habitually provided with funds for the purpose. This beautiful system of paying at the most distant points by simple correspondence, is only another form of the principle of the clearing-house. It makes all England one great clearing-house. To us it has come down from the Jews of the middle ages, who, with this refined instrument of defence, were able to baffle the enmity of priests and kings. The money dealers of India have it also by native tradition from a remote period. In whatever way it may arise, a great or prolific thought cannot perish. That small mustard grain, which to the eye of the feudal baron was invisible, was full of germinating life, and had within it the noble and stately tree of English banking. And now, greatest of all, has sprung up a richer and more precious undergrowth from the same seed—more precious, because it is the possession of the poor and the humble—the banking of the people, the exquisite and perfect net-work of post-office orders. The post-office reforms with which the name of Rowland Hill is identified are surely not the least contribution that this age has made to civilization.

All spare Balances flow up to London.

Besides the practice of making payments in London, which affiliates all provincial bankers to the metropolis, there are two mutually adapted wants which link two sets of these bankers together, through their London agents. Some provincial bankers are able to use profitably more funds than they possess, and would be glad to borrow, at a rate of interest low enough to allow them a margin of profit. Others have deposits lying

idle, and are glad to lend at a very small interest, either upon the security of bills of exchange, or in such a way as to have them still at command if required. The London banker or broker accommodates both parties. While they see only him, he, connected with the two, transmits the discharge from positive to negative, by himself completing the galvanic circle. The rural banks are supposed to be chiefly lenders, the manufacturers the borrowers, but much depends upon individual circumstances. A rural bank has always considerable portions of the incomes of the gentry awaiting their pleasure, but in the busy hives of the north, neither man nor money can be idle. The balance of rural incomes not likely to be immediately wanted goes up sometimes to London, to be held by a broker "at call" even at one per cent., whence perhaps it straightway takes flight for the north, so that monies supposed to be waiting for the election expenses of a protectionist squire in Devonshire or Norfolk, may be actually in Manchester, buying cotton or paying wages for some red-hot free trader. But the most curious part of the matter is the apparent smallness of the motive which induces the broker to take so much trouble and occasionally to run so much risk. Upon him, in a case of this kind, it lies to provide that the deposit sent to Manchester shall still be present in Devonshire, and his remuneration is perhaps one-half per cent. per annum. I do not know the present quotations, but expect soon to hear of eighths and sixteenths, if even it shall not be necessary to adopt some smaller fraction.

Money for Discount and Money for Investment.

The general result of all this system is to scrape up all savings and idle balances that can be spared from the country, even for very short periods, and to sweep them all into the London market, where, like globules of quicksilver, they coalesce with the central stocks, and all run together into one uniform mass. That mass constitutes the *supply* in the London money market. When it is large, money is abundant; when it is small,

money is scarce; but the perfect uniformity of this mass is for the eye only, for there is a test which proves it to be composed of two distinct ingredients. That test is the ascertainment of the fact as to whether any particular portion of it can be used for long or permanent investment, or only in loans for short periods. There is evidently some definite portion of the capital really disposable, which is at the unconditional command of the possessors. Such capital may be lent for five years to a railway, or on mortgage without limit as to time. But there is a much larger portion in the hands of those who only place it out in such a way that its return in short periods may be perfectly relied on. Now the perplexity of the subject arises greatly from the fact, that the first kind of capital is always merged in, and constitutes a part of, the second. Whatever amount that may be which is looking out and waiting for permanent investment, is likewise almost invariably offering or offered in loan to merchants. While preparing, perhaps, to settle on the land, or abiding the slow orders of the Court of Chancery, it makes short excursions into commerce. In a word, precisely the same lot of capital appears to be at the disposal of two distinct parties, first of the owner, who will take it fairly out of the market whenever the long wished-for opening comes; secondly, of the broker, who in the mean time is trying to keep it moving in the little revolutions of discount.

Analysis of Discount Capital.

But though the original disposable capital thus doubles itself, like poor Mathews in his transformations, and in its duplicate form becomes identical with the second or derivative species of money available for mercantile purposes, it does not constitute the whole of that second portion, which in the remainder of its extent is composed of funds awaiting the settlement of law-suits, of dormant mercantile balances, and of the innumerable payments of income drawn in the manner already described from all parts of the kingdom. The latter species of

derivative money capital is that portion which, under all circumstances, would leave a certain average available for discounts, even if every atom of *saving* as it accrued found its way at once into profitable employment. This average would evidently be affected in its amount by a variety of causes. Supposing the average of funds paid into the courts to be uniform, the aggregate of discount capital would tend to rise or fall with the rise or fall of mercantile balances; with the disposition that might prevail to a contracted or a profuse expenditure, the former having the effect of increasing the stock of dormant income; and still more according to changes in the aggregate of annual income, which, of course, when largest, is likely to leave the largest balances waiting in the hands of the bankers. Thus, in a year like 1845, money belonging to some owner as original capital might be taken by him out of a broker's hands to pay up a railway call; then be returned to the broker by the company until wanted for immediate use; then be paid as salary to an engineer, and be returned by him to the broker as dormant income, or partly as income and partly as a new saving destined for investment; in which latter case, while it is discount capital in the hands of the broker, it reassumes with the last owner its character as original capital. It is an inevitable effect of this blending of all the different kinds together, that the whole should present one uniform appearance, both to the eye of the broker, and to the eye of every one with whom he has to deal; that thus an abundance of mere discount capital, which may or may not coexist with an abundance of original capital, should always beget a belief in such abundance; that there should, therefore, be great exaggeration in the popular estimate of the amount of the whole; and that the *character of that part which is the most active and prominent in the aggregate should diffuse itself over the general mass.* Now, money in the hands of a broker may be said to have a peculiar character. When he receives it, it burns him till he parts with it. The fishmonger will offer his fish in the morning for one price, in the evening for another, and at last will sell it for a

song rather than let it grow stale. The broker is nearly in the same plight. His commodity is not properly the capital itself, so much as a mere temporary use of it, which runs out, to his loss, every moment that it waits. Its general aspect, therefore, is that of a thing forced upon the public with pressure and solicitude; something which teases, tempts, and provokes men to make use of it.

Two Rates of Interest.

This gives rise to an important distinction with respect to the rate of interest, which is frequently overlooked. There are two *rates*, very broadly to be distinguished; namely, the rate of interest for long loans and mortgages, and the rate of discount; to which latter always closely approximates the rate of interest *allowed* by the broker to his depositors. A loan on mortgage may not be obtainable at less than five per cent., when two per cent. is the rate for discounts. The rate of interest for permanent investments is, according to general understanding, the rate of interest proper. We may, therefore, dismiss from consideration the lower rate of interest, or that allowed, whether by bankers or brokers, to depositors, as included under the phrase "rate of discount," which it so nearly follows[1]. For the same reason the Bank of England rate of interest for loans may be spoken of as included under the rate of discount, with which it nearly corresponds.

"Rate of interest" will, then, mean the rate of interest for permanent loans; "rate of discount," the rate paid for all sorts of temporary loans, or loans held returnable at short notice.

[1] Indeed, the Scotch bankers, who go as near the wind as the brokers themselves, sometimes find that the narrow margin between interest and discount, which is their profit, absolutely vanishes. In such cases they are wisely unwilling for a temporary cause to disturb the minds of their depositors by reductions, which might drive them to rash speculations. But I fear there is a time coming which will task their forbearance and sagacity to the utmost.

Different Variations of the two Rates.

From what has been already said it will be easily understood that these two rates by no means correspond in their variations. The rate of interest does not vary much, and upon the whole there is no index to its fluctuations so true as the very finely-marked barometer of consols. The quotations, however, must be taken not in their daily changes, but in averages for periods of some duration. Thus, when consols have risen from 90 to 100, the rate of interest upon the most highly-valued security, where the capital is sunk, has fallen from 3*l.* 6*s.* 8*d.* to 3*l.* per cent. The rate for loans on mortgages or railway-bonds, of course, will follow this at a certain distance, according to the estimation in which the security is held. The limits, therefore, within which the rate of interest fluctuates, are comparatively small; but the sweep of the rate of discount, on the other hand, is of immense magnitude. At one time it is high enough to be denounced by the world as usury. At another it touches the ground-level of one per cent., a point at which Mr. Bosanquet, with a whimsical forgetfulness of the necessity of repaying a loan, once said, that money borrowed would be nearly the same as money possessed. It is clear that the rate of discount, when it rises, must have a tendency to drag up the rate of interest; but if it goes up much, the latter will only follow at a respectful distance. For instance, during the eight-per-cent. period at the close of 1847, no man in his senses would have thought of giving or asking anything like eight per cent. on mortgage, if with an outlook so uncertain men were then found to engage in such a transaction. On the other hand, when the rate of discount falls, it has even a less tendency to draw the rate of interest after it. After a crisis, the rate of interest for a time remains high, while the rate of discount rapidly falls, from the in-pouring of mercantile capital, to be held at command for those who are letting stocks run off and avoiding new engagements. At the present moment, in the language of Lombard Street, money "is a drug." But a land-

lord wanting it for drainage would still find it an expensive drug. In a word, "cheap money" for merchants does not mean that money is equally cheap for those who want to employ it in any of the more permanent forms of industrial investment. Still there is a real sympathy between the two. Their great divergences last only for short periods. There cannot, for any length of time, be a great depression of the rate of discount without the rate of interest falling after it, for such continued depression of the rate of discount implies that all the channels of commerce are overcharged with capital, and therefore shows a state of things in which money disposable for permanent investment is not likely to find room.

General Tendency to a Glut of Money in London.

From the arrangements of the money market which have been explained, it will be seen that their effect is to pour all the spare money capital of the kingdom into the central reservoir. Whether the present low rate of interest allowed by brokers prevents any capital from being sent up, I cannot tell; but it is a very likely result, and, at all events, there must be some point at which the motive to provincial bankers to transmit their funds would cease, in which case we should look for a new set of effects in the country. The general tendency, then, must be to a glut of money in London. The stream of supply may be occasionally interrupted, thrown back, as it were, and thwarted in its course for a time, but only to return to the old channel with increased volume and velocity. An abundance of disposable capital offered for short mercantile loans, including also a portion which, at the same time, is intended by its owners for longer investment, is then the habitual state of the *supply* of that article in which the frequenters of the market deal. To see how this operates, we must look into the nature of the *demand*.

Nature of the Demand for Money.

The demand for ordinary goods at the existing price is for some definite quantity. If a lower price is fixed, it is because the dealer wants to draw in more buyers, in order to get some extra quantity taken off his hands. But the buyers in the money market, that is to say, the borrowers, want no stimulus to come forward. There are always enough of them ready to take loans if they can get them. It is upon the lender that the stimulus chiefly acts, causing him to be less nice in his choice of bills for discount at one time than at another. There is a certain quantity of first-class bills, at any one time, which cannot be increased by any possible reduction in the rate. If there be more money to place out than the first-class bills absorb, the broker must take second-class, and then third-class; so that by far the most important effect connected with the reduction of the rate is, that the discounts go lower and lower amongst the inferior bills, until capital is, to a very large extent, placed within reach of persons who could not otherwise obtain it. The difference between four and two per cent. is a trifle compared with the difference between getting the loan and not getting it at all. When the rate of discount is high, many borrowers are shut out altogether, to whom the fall in the rate restores a very free command of capital.

Speculators.

Amongst these is a swarm of speculators, whose precise means no one knows, who hover now about Capel Court and now about Mincing Lane; who, while times are hard, remain dormant and out of sight, like the flies, but at the first outburst of the speculative summer, reappear and fill all the air with their hum and profitless activity; profitless, that is, to the public, not to themselves. For it *does* happen from time to time that one or other of these spectral visitants contrives to

invest himself with the flesh and blood of actual parish-rate-paying existence, and neat suburban villas may be seen, which have been thus conjured out of the general stock into the hands of their possessors, without capital or industry, or warehouse or character, solely through a dexterous manipulation of the money power placed for a time at their disposal by others. The cause of success is, of course, a lucky hit, a fortunate anticipation of one or more of those great fluctuations in prices which often form the basis of transactions apparently commercial, but in reality not different in principle from the operations of the hazard table.

Moral Habits of Commerce.

Commerce and gambling run into each other by shades so gradual that it is hard to say where one ends and the other begins. Nevertheless, the distinction is as real as between black and white, which may join by a thousand intermediate shades, and the moral habits which they engender are as opposite as light and darkness. Mercantile morals are indeed not the highest, but they are high, and perhaps mark as high a point as has yet been attained by any wide-spread class of men. Untiring industry from youth up; resolute scorn of delights where they interfere with laborious days; faithful, exact performance of every business duty, great or minute; and a sensibility of mercantile honour, which, in the beautiful words of Burke, feels a stain like a wound—all these belong to the best types of the class, especially as it exists in England. But with these is too apt to combine a hardness towards claims which intervene between those of strict right and those of absolute mercy. The merchant is princely in his charities, and towards the men of his own class, when unfortunate, as in cases of bankruptcy without fault, eminently generous and forbearing; but while he is in the hot strife of business, his adversaries *are* his adversaries, and not his brother men. The rules of the

warfare are, indeed, to be strictly observed, as amongst the old knights; but within those limits, by every fair weapon, sword, spear, and battle-axe, to cut, pierce, and crush, is the recognised law. When a combatant is down and writhing, the victor may stoop to look into his wounds; but in this again one is reminded of the constancy with which the spirit of the Old repeats itself in the forms of the New. The mailed warriors of the middle ages were thoughtful for their own caste, but took little account of the lives or sufferings of the peasantry. Edward the Black Prince, the very flower of ancient knighthood, suffered not only men, but women and children, to be massacred during the reconquest of Guienne. The modern capitalist can often be generous to one of his own caste in a court of bankruptcy, and yet when he returns to his commercial battle, where inferiors are arrayed against him, he resents it as an impertinence to be asked to bestow a thought on the women and the children. "Business *is* business," he loves to say—"Charity is charity." Yet the maxim is false. God made no such distribution of the duties of life[1].

Morals of Gambling and Speculation.

Commerce, then, has its vices, but gambling scarcely has its virtues. That one poor solitary point of honour, the resolution to pay the forfeit, at whatever cost—that last restraining law, which, when broken, lets the gambler fall into the abyss of self

[1] A dear personal friend, engaged for several years in the East India trade, over whose premature grave I stood ten years ago with other friends now also gone, possessed all the virtues in the above sketch without one of its harsher lineaments. Yet his fate was a lesson. Warm beyond most men in his domestic affections, which were centred in a happy home, it yet happened that the devouring anxiety of mind connected with a period of commercial pressure gradually absorbed the whole current of thought and feeling. Under the incessant strain his health gave way, and he bore it. But he had ultimately to go through a court of bankruptcy, and though he did it with untarnished honour, he did not long survive the shock. A breath had passed over the pure and polished shield, and it never again could be raised with the same pride as before.

contempt—is the redeeming virtue of the calling, but its whole spirit is immoral.

Of course, like other deflections from the highest moral standard, in those cases in which it has long established forms, nature, if we may so speak, confines the evil to the smallest compass. Her sweet vegetation clusters round, and perhaps hides, the deformity which she cannot remove. The untruth of the advocate, indefensible in itself, is found to coexist with perfect veracity in all other relations of life; and for other virtues, where are they to be found in more vigour and abundance than amongst practitioners of the law? In the long and illustrious line of English judges, there is probably not one who has not repeatedly lent his learning or his eloquence to what he must have known to be injustice. Yet he would be a bold moralist who would venture to cast a stone at a Hale or a Denman. So of the turf. An English horse-race is better than a Spanish bull-fight, much better than those intense excitements of the Roman amphitheatre, whose overpowering charm was felt even by St. Augustine. It is inferior, but inferior only, to the Olympic games. Yet, whatever Mr. Disraeli may think, the turf is not the training place for an English statesman. Lord George Bentinck was very much the worse for his gambling. It is the curse of the English nobles, to have no readier outlet for their energies. Here again, however, the omnipotent influence of custom makes itself felt. Innumerable things may combine in England with betting,—the national and manly passion for noble horses—the ambition for a recognised and real distinction, "the blue riband of the turf"—and that contagious sympathy with a great common interest, which none escape—all neutralizing the influence of the evil upon the general life.

But extract the essential principle from these customary forms —let the greedy appetite for gain without toil or return, have some new field of exercise, in which, custom providing no vesture, it must work in its naked deformity,—and then its result can be nothing but demoralization; the commencement of a cancerous

process, which goes on in widening circles, eating away all that is sound in the social life. This happens to a great extent in all speculative periods, and each leaves behind a corrupt deposit which the next enlarges.

Line between Commerce and Gambling.

But all commerce is speculation. Where is the line to be drawn? The main principle is clear, though its detailed application is difficult. All that can be done is to show the point of divergence, and then leave each man to choose his own road at his peril.

Whatever aids the distribution of goods is commerce. Any mode of operating upon prices that cannot have that tendency is gambling. But the simple holding over of stocks, such as grain, so far from being gambling, is often, in spite of the popular prejudice, one of the best services that commerce renders to society—the equable sharing out of short stores amongst a shipwrecked crew. All sorts of *time* bargains therefore, it need scarcely be said, whether of securities, railway shares, or produce, where no realities pass or are intended to pass, are as purely gambling as *rouge et noir* and *roulette*. As for "rigging the market," and similiar expedients, frequent enough in times of *mania*, they are not gambling, but *fraud;* and if the law could grasp delicately enough to seize the perpetrators, the proper place for them is the bar of the Old Bailey.

Whatever immediately or remotely brings about the condition in which these things are done—in which being done first by the shameless, they are done afterwards by others less degraded, until class after class is sucked into the vortex—is to be dreaded and guarded against as one of the greatest of national calamities.

Speculation by the non-trading Classes.

All that has been hitherto described of the machinery of the money market, shows its extraordinary tendency to favour speculation by ever-recurring and growing temptations. The abundance of the market furnishes the means, but the moving powers in every speculation must be those highly contagious passions of the human mind which prompt men to seek sudden accessions of wealth—which seem to have their times of afflux and reflux—and which, whenever they set in, go flooding even into the remote nooks and corners of society. The quiet maiden annuitant, the hard-worked country surgeon, the plodding clerk who has cut pens over the same desk for a quarter of a century, nay, the parson himself, when there is nothing to be done with a little hoard of savings, the product of much self-denial, but to buy consols at 100, feels his blood begin to mount, and the fever to set in, when the El Dorados of Capel Court and its neighbourhood are opened to his imagination. The temptation is strong, but the result, if he yields, is generally deplorable. The chances are a hundred to one that he is *bit*. For where there is really some great and sure gain to be made, the Argus-eyed capitalists on the spot have known and secured it before any simple rustic can come in for a share. Their intelligence, indeed, is not infallible. When the London and Birmingham Railway was yet but a thought, there were men in London familiar with the heights and depths of speculation, who could not easily see how prolific of wealth that thought was soon to be found. Stories are told of individuals, eminent for speculative foresight, who, being tempted to take some of the early shares in that great concern, timidly sold them not very long before the whole world awoke to a perception of their value. But if such men *can* miscalculate, what security can there ever be for the distant rural adventurer, who knows nothing but what is in the county newspaper[1]?

[1] The speculators during the Bank Restriction period were a favourite theme with Cobbett, and some of his sketches were thrown off with a vigour which he

Speculation in the North.

With respect to the railways, the truth was first seen and the lead taken by the sanguine, impetuous, over-mastering energy of Lancashire; an energy, the like of which is not to be found in the whole world, except in the kindred region of North America. It will appear in a succeeding page that the relation of Lancashire to all England is becoming more than ever a practical question. The men of Lancashire are not the wisest in England, but they have most WILL, and when they happen to be in the right, nothing can stand before them. Unquestionably, in the matter of the Corn Laws, Mr. Cobden and his Ironsides rode over the country gentlemen very much in the fashion of Cromwell over the Cavaliers at Marston Moor. Marston Moor and Free Trade are both worthy of national commemoration; but it is worthy of note, that a purely Cromwellian *régime* was not to the taste of the English people. They could not brook to have the stream of their rich and varied life compelled to flow in one exclusive channel. They chose rather that it should be free to spread abroad even into swamps and noisome pools under the harlots and sybarites of the Restoration.

This is no digression, but only a winding in the road, which opens a glimpse into another part of the region under survey.

alone possessed. Here is a short passage from the "Advice to Young Men."—"The great temptation to this gambling is, as is the case in other gambling, the *success of the few*. As young men who crowd to the army, in search of rank and renown, never look into the ditch that holds their slaughtered companions, but have their eye constantly fixed on the General-in-chief; and as each of them belongs to the *same profession*, and is sure to be conscious that he has equal merit, every one deems himself the suitable successor of him who is surrounded with *Aides des camps*, and who moves battalions and columns by his nod; so with the rising generation of speculators: they see the great estates that have succeeded the pencil-box and the orange-basket; they see those whom nature and good laws made to black shoes, sweep chimneys or the streets, rolling in carriages, or sitting in saloons surrounded by gaudy footmen with napkins twisted round their thumbs; and they can see no earthly reason why they should not all do the same; forgetting the thousands and thousands who, in making the attempt, have reduced themselves to that beggary which, before their attempt, they would have regarded as a thing impossible."

Amongst the manufacturing districts of England, the tendency to gambling speculation is probably more constantly ready to start into life than elsewhere, and when in movement to go greater lengths. In 1845 many provincial stock exchanges were established for the first time, and the persons who operated on those exchanges at Leeds, Manchester, and Liverpool, seemed to have made up their minds, that it should go hard with them, if they did not better every lesson that was set by the metropolis.

Wherever the eye is turned, therefore, it would seem to find nothing but causes calculated to produce speculation. Radiating inwards to the great centres of commercial life, the several currents seem to flow as if under an irresistible impulse. Is this necessary? Is it our destiny? The question is terrible. All the fibres of the money power have been traced rudely, but accurately enough to show their lines of direction. Still there remains their point of highest concentration upon which we have said nothing. That point is the BANK OF ENGLAND.

CHAPTER VIII.

The Bank of England.

"And round about him lay on every side
Great heaps of gold that never could be spent,
Of which some were rude owre not purifide
Of Mulciber's devouring element."—Spencer.

Bank Restriction Act.

The history of the Bank of England, if it could be truly written [1], would be more instructive than the history of most nations. Even a series of its *weekly* balance-sheets, as far back as they exist, with the contemporaneous price of consols, and short illustrative notes, showing any important events in the money market, would be a contribution to the statistics of this subject of very great value. This, however, is not the place to attempt any history of the Bank, even if the requisite ability existed; nor even to notice the many interesting facts which occurred under the Bank Restriction Act, more or less connected with the present subject; but this much may be remarked—that whenever the light of a complete monetary science shall be cast back upon the transactions of that period, it will do more than even Mr. Tooke has already done to change the whole complexion of the bullion controversy. I am persuaded it will be found that in the whole of that matter,

[1] I should be sorry to seem to cast any slight on the interesting work of Mr. Francis, which I have read with pleasure. But that work is literary, rather than scientific. The kind of history which, as it seems to me, would be so valuable, would be that of the monetary action of the Bank, including and expanding the matter contained in the chapters on the Circulation, in Mr. Tooke's "History of Prices."

the Bank Directors and the merchants were right, and the philosophers completely in the wrong.

The former were right because they were governed by certain practical instincts, which in any habitual sphere of action are usually better guides than nice or elaborate reasoning. As soon as men take to reasoning in such cases, the matters being very complex, there ensues a long period of blundering, before all the various threads of deduction, which should be concurrent, are fairly gathered up and carried out to a correct result. Mr. Horner, sensible as he was, obstinately resisted the most evident facts. He could not admit the notion that peculiar causes might act upon the value of gold, so as to carry it away from the paper, without in the least degree disturbing the relation between the paper and the general mass of commodities. Yet this was unquestionably the fact, and the proof of it became absolute demonstration (at least to a mind like that of Mr. Blake, in which no theory could stand against a fact) in 1815, upon the return of Buonaparte from Elba, when the exchanges fell *suddenly*, and gold rose from 4*l.* 9*s.* to 5*l.* 7*s.* per ounce, without any increase in the bank-note circulation[1].

The superstition of the economists of that day, however, clung to gold, as the earlier astronomers did to the earth, as to something central and immovable, around which all other bodies could not but revolve. The foundation of this ancient belief was not effectually shaken until the appearance of Mr. Bailey's "Dissertation on Value," a work which would have been faultless if it contained a better appreciation of that tacit reference to equal amounts of sacrifice which is made in contracts, and in all comparison of values at distant points of time. Under the Restriction Act, the gold in the market, being a mere article of commerce, and being no longer held steady by an adjoining mass of currency, was tossed to and fro, by the most violent alternations of demand acting upon a supply which could not suddenly be either increased or diminished.

[1] Tooke, vol. ii. p. 33.

The gold was drawn away to meet demands which, as Mr. Tooke has so clearly shown, nothing but that precise article itself could satisfy. The Bank paper held its accustomed place, spanning the stream like an arch when the scaffolding is gone.

Habitual Standard of Value.

The conviction that this was the real state of matters, that the variation was in the gold and not in the paper, existed in the minds of the most intelligent merchants, and is to be accounted for by a fact originally noticed by Turgot, and afterwards by Malthus, that when exchanges have gone on for any length of time, a certain current value of all commodities in frequent use gets established. In other words, a currency once settled begets a number of habitual associations of comparison, which paint, as it were, a standard of value in the air—an image sometimes more steady than the reality itself, and which may remain distinct to the mind when the reality has vanished. When the currency of Western America was struck down by the sudden failure of the banks in 1836–7, there was a momentary gasping, as of men under an exhausted receiver. The circumambient atmosphere was gone, but instantly the old circulation was renewed, and exchanges went circling on, by means of barter and pure credit, with prices still estimated in dollars, and the ideal dollar continued to do its work, long after every piece of coin and every rag of bank paper had disappeared. This may explain to us the cause of that general persuasion that there was an ideal pound sterling, although the notion seemed to vanish under every attempt to define it. Logic could not seize it, but the practical sense of the merchants did, and was satisfied. Lord Castlereagh's famous definition seemed only folly to Sir Robert Peel, looking back upon it from a time when all the explanatory facts had disappeared; but Lord Castlereagh was no fool[1], and

[1] This nobleman has had more than usual justice done him by an able and popular writer in a recent work, "Wynville; or, Clubs and Coteries."

knew that an ideal measure did exist in the popular mind. The real reply of the men of that day to the logic of the bullionists was that of the old schoolman when challenged for a definition of time—*si non rogas intelligo.* Mr. Carlyle, if he looked into the matter, would not be at all surprised to find that their silence was wiser than the speech of their opponents.

Conduct of the Bank under the Restriction.

The Bank Directors, in truth, pursued a very steady course. They lent money to the Government, because they could not help it, but it went much against their will. Whatever harm those loans did is due to the Government, and not to the Bank. In other respects they acted upon one simple rule, which was to discount all good bills of exchange that were offered to them; a rule which would have been perfect but for one circumstance pointed out by Mr. Tooke; namely, that their uniform rate being *five* per cent., and the market rate being frequently higher, they were, in all such cases, artificially keeping down the lending value of disposable capital. But they went on in the grooves of the old traditional system, taking very patiently a great deal of abuse, and doing their work with the most diligent regularity. The great profits which were then made, and the increased paper circulation drawn into play, were the *result* of the action of the public upon the Bank under the prodigious stimulus of the Government expenditure. If the principles explained in the present work be sound, there was not at that period, and could not have been, properly speaking, any depreciation of the currency at all, except in so far as the name may be applied to that general alteration in the level of prices, which, allowing the force of Mr. Tooke's explanations, may, or rather must, still have taken place, from the addition which the Government outlay caused to the sum total of annual income. But with the same expenditure and no foreign remittances, this rise in the level of prices would have taken place *quite as cer-*

tainly with a metallic currency as with one of inconvertible paper. Upon the whole, my conviction after some years' study of the question is, that the exercise of a power so vast as that entrusted to the Bank of England in 1797, by a body of private merchants, with so little abuse, is a phenomenon perfectly unparalleled in history, and is in the highest degree honourable to the mercantile character of the last generation. The errors committed by the Directors since the restoration of cash payments, and even since 1844, have been far more serious, in my view, than any that occurred during the twenty-five years of the restriction.

Present Monetary Position of the Bank.

Under the system which now exists, the Bank of England is the great residuary reservoir of capital for the whole kingdom. Streams flowing from the most distant extremities, after trying in vain to force their way into every possible channel of employment, are at length brought to precipitate themselves into the mass of deposits which the Bank is compelled to hold in a state of complete inactivity. Whatever doubt might have been entertained of the true nature of the position of the Bank before the separation of its departments, now there can be none. The surplus waters are quite visibly poured in, and the only question is, whether when this happens through the action of such a monetary system as has been described, it is wise or unwise to make efforts for forcibly returning to the general circulation of capital and income, what has been so determinedly thrown out of it as superfluous.

The aggregate money income, as we have seen, at any one time requires a certain proportion of gold and notes to effect the distribution of those useful commodities of which real or specific income consists. New capital applied to production may enlarge that income, and therefore call out a greater amount of gold and notes than what previously existed, the addition to the currency, however, being still only in a small

proportion to the addition to the income. Thus we see in years of growing prosperity a gently progressive rise of the bank-note circulation, the addition made to it being evidently equal to no more than a fractional part of the newly-invested capital. At length, after the keenest mercantile intelligence throughout the kingdom, in its efforts after profit, has filled up with capital, and charged to overflowing every channel of safe investment, there is an excess of notes and gold cast off, and rejected from the currency, the basin of which is full, and will hold no more, into the Bank of England. It is still a question whether the Bank ought to make any effort to throw back into commerce what has been so rejected.

To me, looking at the working of the whole system, it is perfectly evident that the raising of a finger for any such purpose ought to be absolutely forbidden by a positive rule. The Bank of England can avoid aggravating the tendency to speculation. That it can positively check it, I do not affirm; but it would seem at least desirable to refrain from adding fuel to a fire which in any case will blaze up to the uttermost limits of safety.

Power of the Bank over the Money Market.

The power of the Bank of England over the money market varies, according to the direction in which it is exercised, from nothing to infinity. Practically, when the market rate of interest is falling, the Bank can do nothing to prevent it. It may refrain from pressing it down, but that is all. If the market rate is rising, the Bank can retard or moderate the rise to an extent which varies with times and circumstances, and with still more ease it can quicken the movement; but if the rate be falling, and the Bank at the same time chooses to precipitate the fall, its power to do so is unlimited. In such a state of things as the present, it has quite demonstrably the power to reduce the rate of discount on first-class bills, not to one pound only, but to one shilling per cent. per annum, if so

extravagant a result came to be thought desirable by the Directors.

It is evident that the Bank might add immensely to its loans without causing any perceptible diminution in its unemployed reserve, for whatever went out in loans would directly flow back in deposits. It is, indeed, more strictly correct to say that either nothing or very little would go out at all, because the new loans would be taken out in the form of credit. What, then, is to prevent the Bank from underbidding the brokers until it gets to the point of stopping their operations, and drawing all the bills to itself? Evidently no want of *power*. There is, however, happily, a restraint, which under all circumstances must operate to a considerable extent, and if it did not exist I see nothing upon the principles now prescribed by leading statesmen of all parties for the conduct of the Bank, which would prevent us from coming to penny discounts for thirty-one day bills as companions to the penny omnibuses. That restraint is, that the Bank Directors do not possess the knowledge of individuals which would enable them to take away business to any extent from the private bankers or the brokers. In fact, they never succeed in doing so. The Bank may, however, place increased funds in the hands of private bankers and brokers, so as to facilitate and push an extension of discounts by the latter at a time when the expansion of Bank credit is already excessive. Further, however, and infinitely more important, is the manner in which the reduction of the Bank rate acts as a stimulus to the whole multitude of discounters through the empire, to use to the utmost the means at their disposal. A reduction in the rate of discount by the Bank is always taken as a signal that money is abundant, and likely to be more so. Advances may then be made and risks run in Glasgow or Liverpool, which would not be hazarded if there were the least doubt of the ability of the lenders to fall back, in case of need, on the overflowing resources of the London money market. The Bank thus everywhere raises the wind, and the whole of the aggregate of the paying power is ex-

panded in volume by a mere blast from the bellows in Threadneedle Street.

Reaction after Speculative Excesses.

The survey of the machinery of the money market, and of the manner in which speculative excitements are fostered, would be incomplete without an attempt to show the nature of the painful process by which such disorders are corrected. The disorder specifically consists of an immense and complicated series of engagements—wheel within wheel, fold within fold—to make money payments, which from miscalculation and dishonesty cannot be effected. Those engagements may be to pay calls in joint-stock companies by individuals who subscribed beyond their means, and generally every industrial enterprise, which is either very slow or altogether fails in making the expected return, leaves the parties concerned unable to meet the demands upon them. But the acutest form of the disorder is that which arises from the creation of an immense mass of mercantile bills, each of which is or ought to be drawn against some portion of commodities on its way to consumers, which, if laid in at prices suited to the real supply, will in due time draw back out of the aggregate of income their precise money equivalent. Repayments thus constantly flowing up from the retail dealers, or to exporters from their correspondents abroad, come in a continuous stream, and if calculations be exact all goes well. If stocks be laid in at too high prices, or foreign demand fails, the friction of the commercial wheels becomes growingly perceptible; but all still moves on, because, with general confidence, one series of bills swells out, as it were, under another, and prevents the collapse which would otherwise take place. At length stocks accumulate to a point which causes the demands upon the banker for money to become dangerously large, or which in some way excites his suspicion, and then the tide begins to turn.

As soon as a banker feels that his own liabilities can be ex-

tended no farther, reaction has set in[1]. He diminishes his accustomed accommodation, and at once the whole system begins to drag, not at one point, but at all points. The demand for money everywhere presses upon the supply, and the supply everywhere dwindles and shrinks away from the demand. That portion of the whole which consists of bank credit does literally become less; bankers, having the power to let it decline, do, by letting their daily payments flow into them, exercise that power. The stocks of merchants who have money engagements to meet are pressed upon the market, and the fall of prices is precipitated. Each fluctuation marks a violent transfer in the previous distribution of property, to the loss of him that had goods, to the gain of him that had command of the money power. A single wave of price affecting a large stock may sweep the foundation clean from under a great house that has stood for three generations. One pile falling brings another to the ground. Crash follows crash. Alarm spreads, and it becomes doubtful who will stand. Every one desires to acquire or retain in his possession money in one of the three forms of gold, bank-notes, or bank credit, which are universal equivalents. The third and most important of the three elements being, under these circumstances, in a state of continuous contraction, there is evidently some point at which that contraction, if pushed far enough, would compel a general suspension of mercantile engagements. No solvency would prevent this any more than stores full of corn and other goods would have enabled a merchant of Ohio, in 1836, to make a metallic payment when there was scarcely a dollar within the boundary of the State. The transferable bank credit being itself the main instrument by which all the larger mercantile contracts are fulfilled, the destruction of that instrument, when once carried to a certain point, must necessarily render the performance of those contracts a total impossibility.

[1] A drain of gold causing the Bank of England to contract its advances, accelerates and aggravates the reaction; but all the phenomena of a ruinous contraction of credit may take place without any drain of gold, and in spite of the efforts of the Bank to diminish the pressure, as was the case in 1810–11.

Misery produced by a Commercial Crisis.

The amount of human suffering produced by what is called a commercial crisis, is something which probably no human mind will ever be able fully to conceive. In a country possessing no organized credit system the march of an invading army may waste and desolate the region through which it passes, but in the great multitude of homes the ordinary peaceful movement of life is undisturbed. The misery produced by a despotic government is more general, but even in that case tyranny usually falls into a procedure sufficiently habitual to enable the mass of men to know what they have to expect. But a commercial crisis, during its continuance, subjects vast numbers to an anxiety so keen as to be comparable to nothing but the agony of the rack itself. And the unhappiness which it produces is by no means confined to those who are tortured with doubt as to their power of meeting great commercial engagements. The calamity is diffusive. From every suffering centre the agony shoots through innumerable nerves into all the neighbouring regions of the social body. Multitudes, who hardly know what a speculation is, find the ground on which they stand suddenly drawn from beneath them, and the bread of their children snatched out of their hands by the convulsive workings of the mechanism which speculation has disordered.

Dangers of a high Commercial Organization.

Yet, whatever effect a particular act of unwise legislation, or the misconduct of a particular institution, may be supposed to have in aggravating disorders of this kind, it is certain that they do in substance spring from the whole moral state of the nation; that is to say, from the passions which are suffered to sway the great body of the intelligent middle class, acting upon a highly-refined and elaborate organization of credit. It holds good universally that, in proportion as bodies are highly

organized, they have likewise the capacity of acute suffering. The two things go together and cannot be separated. Of the varied orders of the brute creation, there is not one which has any true experience of the sad inheritance of man,—

> "Of ghastly spasm, or racking torture, qualms
> Of heart-sick agony, all feverous kinds,
> Convulsions, epilepsies, fierce catarrhs,
> Intestine stone and ulcer, colic pangs,
> Demoniac frensy, moping melancholy,
> And moon-struck madness, penury, atrophy,
> Marasmus, and wide-wasting pestilence."

Nor amongst men themselves are the most intense agonies known except to the gifted few, who are endowed beyond others with the lofty privilege of looking before and after; and who are so often ready to cry out with the prophet, "Behold and see if there be any sorrow like unto my sorrow!" This liability, then, to the paroxysms of commercial disorder belongs to England in virtue of an economical organization surpassing in delicacy and complexity anything of which the world ever before had experience. The ties which connect man with man and class with class are minute and multifarious beyond example; and that which France, knowing the thing more in desire than in experience, calls *solidarité*, or universal interlacement and community of interests, is the great fact which in England makes it impossible to have any virulent local disorder in society without universal suffering.

No Cure but a Moral One.

The pretension, however, that the industrial derangements to which England is liable may be cured either by legislation or by any changes in our social mechanism, must be condemned in the same sentence with the nostrum of the quack. The source of the disorder lies in the highest, that is, in the moral, nature of man, which, if it is not raised and ennobled in proportion to the advances which he makes in wealth and intelligence,

must continually produce new and more fearful varieties of disorganization. The effective remedy, therefore, can be only a moral one. It must be something which shall touch the deepest sources of moral life in the nation, which shall make high thoughts and generous aims more common, and shall subordinate the all-engrossing passion for wealth to the nobler inspirations of the soul. Whether there be such remedy, and how it can come into action, must remain for after consideration. Here it must suffice to mark the fact that the fearful social evils, of which the delineation has been attempted, may possibly be checked, but are not to be averted, by any ingenuity of legislation.

Rule for the Management of the Bank.

With respect to the power of the Bank of England, it will appear from what has been said that, without any action on its part, the whole tendency of our monetary system and industrial habits is to generate periodical fits of speculation, each of which is more demoralizing, and, therefore, more destructive of the nation's highest welfare, than its predecessor. The Bank can do nothing positively to prevent these calamities; but it has the power to aggravate them, and it is for the public interest that such power should not be exercised. My conviction therefore is, that the Bank of England should be obliged, either by law or an equivalent understanding, to observe two rules, which would avert much evil.

1. The Bank should not purchase Government or other securities, beyond the amount which it holds at present[1].
2. It should return to, and in no case go below, its old *minimum* rate of discount, namely, *four* per cent.

The recurrence to a *minimum* rate of discount, it need scarcely be said, would be no bar whatever to an advancement of the rate, whenever the market rate showed a tendency to

[1] An exception, of course, should be made for the case of deficiency bills upon an accidental failure of the revenue; but with a proper balance in the exchequer, such bills would scarcely ever be required.

rise. Under no circumstances should the Bank rate be lower than the market rate.

Here, then, I come into practical conflict with one of the reigning principles of political economy—that of universal competition,—and contend that its application to the Bank of England is an error fraught with mischief, and founded upon a totally mistaken view of the working of our monetary system. The proof is contained in the reasonings of the foregoing pages. The Bank is the general depository of the disposable money capital which cannot find employment. That capital is not the property of the Bank, but of various private parties who leave it in the hands of the Bank, while they are straining every nerve to find for it some profitable investment. When the Bank, therefore, attempts, on its own account, to find a use for such capital, it only presses in to heighten and make more disastrous a competition from which the whole nation suffers.

The Bank not a Private Concern.

In this view the Bank is not regarded as if it stood in the position of a private trader; it is impossible to look at it in any such light. With its immense capital, its boundless credit, operating to any extent that has yet been tried, exactly like capital, and its influence over the whole banking and commercial class, the Bank of England is an institution as public and national as the monarchy. To me it even appears one of the many happy accidents for which England has to be thankful in her social condition. If such an institution did not now exist, it could not be created. But having grown up, and spread its roots far and wide into the soil, it would furnish, under such rules as I have suggested, a stay and centre for our whole monetary system, incomparably more secure than could be attained under any other arrangement.

It need scarcely be added, that no such injustice is here contemplated as that of enforcing those rules, at the ex-

pense of the Bank Proprietors. If the view taken of the evils arising from the competition of the Bank with the discount brokers, or from the extension which it gives through the brokers to the general mass of discounts, be correct, it will not be thought strange to say, that the State would cheaply purchase the forbearance of the Bank by paying the ordinary dividends on its shares five times over. There could, however, be no difficulty in an equitable arrangement which would leave the proprietors of Bank stock in as good a position as they are at present.

After this extended survey of our monetary system, we are landed in the conclusion, that without any stimulus on the part of the Bank of England, and without any influence provocative of speculation coming to us from without, there does exist in our social constitution a deep-rooted tendency to produce a periodical recurrence of commercial convulsions.

A new and immensely powerful influence, however, is about to be brought to bear upon us, in consequence of the gold discoveries of California and Australia, which already threaten a revolution, much more momentous than that which took place in the sixteenth century. It remains, therefore, to inquire in what way we are likely to be affected by the NEW GOLD.

Note on the Proposal to fix a Minimum Rate of Discount for the Bank of England.

The adoption, or rather recurrence, to a minimum rate of discount by the Bank of England has been urged by the present writer on former occasions, and especially in a letter to the editor of the *Economist* about two years ago. Some editorial criticisms which were made upon that letter appeared to call for a reply, which, however, the question being then thought of no pressing interest, was not inserted. I think it well to add here some extracts from an imperfect copy of that unpublished reply, and, although they are marked by a sharpness of censure characteristic of anonymous writing, of which my present judgment disapproves, I have not thought it right to soften the language then used :—

" First, let me disclaim having ever contended that the Bank should establish a

'uniform rate of interest,' or that it can adjust the market rate at its pleasure, or that it can prevent that rate from settling at the point which the relation between the demand for disposable capital on loan, and the supply of it, may determine. No one who understands the mechanism of commercial operations can, for a moment, advocate any of these absurdities. What I contend for is, that the Bank should fix a *minimum* rate, below which it ought not to go, but above which it might and ought to raise its terms when circumstances required it; that, though it cannot prevent fluctuations in the market rate, they will become less violent if it forbears to aggravate them; and that the mode in which it is to operate is not by disregarding the state of the relation between demand and supply, but *through* that relation, which it can materially alter by holding back at certain seasons its own portion of the supply.

"You meet me at once by denying the power which I attribute to the Bank, and here issue must be joined.

"I will make no appeal, though I think I might do so, to the almost unanimous opinion of mercantile men as to the *fact* of the Bank's great power. Mistaking an effect for a cause, they have erred in attaching importance to variations in the amount of the bank-note circulation; but I believe they were frequently right in attributing monetary fluctuations to the Bank, even when they misapprehended the mode of its action. In many of the old pamphlets on the state of the money market, it is enough to strike out the phrases 'increased issues' and 'contractions of the circulation,' and to substitute 'increased loans' and 'diminished discounts or contractions of credit,' in order to render the reasonings, which at first sight seem neither cogent nor clear, perfectly logical and intelligible. But every one of those productions shows the most intense conviction of the fact that the power of the Bank was enormous. However, I will not rest my argument at all on an appeal to such authority.

"To estimate the positive power of the Bank, before comparing its resources with those of other dealers, look at the facts. Its reserve is £13,000,000. The most exaggerated caution would consider £8,000,000 sufficient. Practically, £5,000,000 are now lying idle, because the Bank has not yet lowered its rate enough to make that snm tell as fully as it might upon the market. But sanction unlimited competition, let the Bank use that surplus reserve as Mr. Gurney would use it, and I think it would be sufficient to reduce the current rate to one per cent. I need not urge upon you. the effect of even a small addition to a fully-supplied market."

After a calculation already referred to (page 21) as to the amount of capital available for discounts in London, the letter proceeded :—"I proceed to show that, whatever be the supply in the hands of private bankers and brokers, the addition which the Bank of England, with its spare capital and its perfect credit operating like capital, could make to it, would be sufficient to lower the rate of interest to almost any assignable point.

"My first proof is one of which I have your own admission. 'The Bank, by using its spare funds to buy stock, might raise consols ten or twenty per cent.' Unquestionably it might; but can that be an insignificant addition to the capital in

the market, which would add a value of at least eighty millions to the whole mass of the Government debt? How is it possible to deny the power of the Bank over the rate of interest, if it could operate with such prodigious effect upon the public funds? It would be as reasonable to contend that additional fire will not increase the warmth of a room, although it sends up the mercury in the thermometer.

"As a second proof, I will use another fact which has also your sanction. 'There is only a certain amount of good bills to be had at any time, and a reduction of the rate of discount will not materially increase that amount.' Precisely, and for that very reason, a little additional competition for those good bills is sufficient to reduce the terms of discounts. You have suggested reasons why the Bank should not or would not press that competition; that is an after question with which I am ready to deal. But the first point to be settled is the *power* of the Bank, and I submit that the limited amount of bills to be had is a decisive reason why the competition of the Bank, instead of being unfelt, should be sufficient to press down the rate in a falling market to any point it pleases.

"But if the principle of unlimited competition with the brokers, which is now only creeping into the practice of the Bank, is to be encouraged and established, what is there in the mere pecuniary interest of the proprietors of Bank stock that should prevent such a violent reduction of the rate of discount as would drive weaker rivals from the market, and thus leave a clearer field for the operations of the more wealthy dealer? This is the way in which strict competition elsewhere adjusts matters when the business to be done is not enough for all who are ready to do it. Coach proprietors and steam companies occasionally gain their ends by carrying their passengers for nothing. Why, I say, upon the principle of unlimited competition, should not the Bank of England break the backs of some dozen of its rivals, and, by forcing the surplus capital out of the money market, enhance the value of what it has to dispose of? At present it shows itself

'Willing to wound, but yet afraid to strike.'

It competes timidly, and the less hesitating brokers secure the prize. But it may be said to be against the interest of the Bank to provoke an actual crisis. Looking simply to its profits, I am not so sure of this. It has, indeed, some reason to fear that another crisis may be fatal to its charter; but, upon the whole, I apprehend that the crash of 1847, and every similar disaster, had no unfavourable effect upon the profit and loss balance of the year's transactions. As to its safety, the experience of that year tends to show that at the worst it can always protect itself. It has only to dash resolutely through the universal wreck of mercantile credit, and mercilessly thrust every clinging victim back into the water, in order to secure its own safety.

"The Bank does not act thus injuriously to the public interest, simply because it does not yet carry out the principle of unlimited competition. In its case, as in that of every old mercantile establishment, competition is largely qualified by custom. It loves to stand upon its ancient ways. Its usages and traditions still exercise a great power; but the whole tendency of the system, of which you are one of the most distinguished supporters, is to break down those restraining usages, and to promote

a state of things in which, when capital is plentiful, we may come to see Bank agents jostling bill-brokers in every leading counting-house in the city.

"I know well that the mere approach to such a state of things would be found intolerable, and would only lead to some new banking experiment, or, what would be far worse, to some empirical tampering with the currency. But if upon grounds of public policy, or from any reasons distinct from the pecuniary interest of the Bank, competition is to stop short, it is better to place the limit where it will be most useful.

"I therefore contend for a minimum rate, and not for that alone, but also that, when capital is plentiful, the Bank should refrain from every act tending to throw its own surplus funds upon the market. As to the purchase of stock under such circumstances, it would be evidently worse than the reduction of the discount rate. The latter *may* not attract any additional borrower, but the purchase of consols or ex chequer-bills absolutely *forces* the equivalent which is given for them into the mass of capital actively seeking employment. It would take up far too much of your space to advert now to the conduct of the Bank on former occasions, or this would suggest my answer to your argument for the inefficacy of a minimum rate in 1824 and 1835. In the former year, as you are well aware, the Bank commenced its large payments for the dead weight annuities [1]; and in 1835, being troubled just as it now is with a superfluity of cash, derived from the West India loan and the assets of the East India Company, it made a special bargain with the discount brokers, by which it obtained the employment of those funds in the market. In other words, it did not then, by reducing its rate, help to render the community inflammable, but, seeing them to be actually in a state almost as explosive as gunpowder, it flung out a lighted torch upon the dangerous mass.

"You deny that the reduction of the bank rate in autumn, 1844, had any influence upon the market. The question is too large for full discussion now. I will only say that your figures for the year which followed show a rising market rate, and therefore a growing scarcity. During that critical period, however, the Bank increased its loans on private securities by no less than £4,000,000. To my mind it seems incredible that that addition, and the impressions which it produced on other lenders, did not help greatly to heighten the speculative fever which was then raging; and I believe that both then, and still more decidedly in autumn, 1846, the wholesome tendency which appeared towards a rise in the market rate was checked by the movements of the Bank, which movements, however, looking to the position of the Bank at both periods, *if we are to judge of it as a purely private concern*, do not deserve a syllable of censure.

"Before concluding, let me add a word upon your parallel between the trade in money and other branches of commerce. The whole question, is whether there are not special circumstances affecting the former trade, as conducted in England, which take it out of the common category. I maintain that the peculiar and unexampled power which law and custom have given to the Bank of England, constitute such

---

[1] See Tooke, vol. ii. p. 179, and the Evidence of 1832.

a circumstance. If, owing to those causes, it commands a very large proportion of the whole amount of capital disposable for mercantile loans in London, there is good ground for maintaining that that great weight should be always thrown into the monetary scale in such a way as to limit rather than aggravate its fluctuation. How the interest of every branch of commerce would be served by this means, supposing it practicable, I need not insist. The general principle of free trade assumes that the fairness of competition is not interfered with by unequal privileges. There is nothing in that principle to prevent Parliament from fixing the fares of a railway, or enforcing regulations on the mercantile navy. There is nothing in it, as I think, to prevent the public interest from fixing a limit to the Bank rate of discount."

CHAPTER IX.

The New Gold.

"Mammon led them on,—
Mammon, the least erected spirit that fell
From heav'n, for e'en in heav'n his looks and thoughts
Were always downward bent, admiring more
The riches of heav'n's pavement, trodden gold,
Than aught divine or holy else enjoy'd
In vision beatific; by him first
Men also, and by his suggestion taught,
Ransack'd the centre, and with impious hands
Rifled the bowels of their mother earth
For treasures better hid. Soon had his crew
Open'd into the hill a spacious wound,
And digg'd out ribs of gold."—Milton.

Three Ways of receiving New Gold.

Within a comparatively short period, ten millions of new gold have come into England. It is important to examine through what channels any part of that gold has found or can find its way into the currency. There are three modes in one or more of which it may have arrived in this country.

1. It may have been brought by owners intending to spend the whole at once *as income.*
2. It may have been brought by, or transmitted for, account of owners intending to invest the amount *as capital,* and to spend only the annual proceeds.
3. It may have come directly to merchants, or indirectly through exchange dealers, in payment for English exported goods.

It is scarcely worth while to speak of any gold that can have come in the first mode, although it would be that of most direct

influence upon the currency. A few navigators there may be from California or Australia now and then, who rush over to squander their gains, like seamen paid off from a ship; but such sums would be but a drop in the ocean, and its precise effect, whatever it might be, will be explained in considering the effect of additions otherwise made to the aggregate of income.

New Gold as Capital for Investment.

As to gold entering in the second mode, by the supposition it is purely an addition to the existing stock of money capital. The owner of £10,000 in gold coming in that way simply desires to invest it like any other owner of a like sum, whether in the form of gold or bank credit accumulated at home. It is at once, therefore, added to and lost in the pre-existing stock of disposable capital. The owner may hold it in the form of a credit upon the Bank of England, or upon some private bank. The gold flows into the Bank vaults. There is nothing so far which can introduce a single sovereign into the currency. There was already more capital waiting for employment than could be placed out. The additional sum, so far as it goes, tends to lower the rate of discount, and to foster speculation, but that is all. If it is applied to the purchase of consols, it tends to raise them, but in this case the new capital is only transferred to the seller of the consols. The market remains in the same state as before. If, instead of ten thousand pounds, we suppose ten millions to have arrived in this manner, the same principle must hold good. Consols, if the Chancellor of the Exchequer would permit such a thing without conversion, might go to 120. The Bank hoards would be still further enlarged. The enormous flood of capital would beat and dash with turbid and tumultuous waves into all the channels of discount, into every opening of industrial investment. The extravagance and orgies of 1845 might burst out into a yet more fearful development. Speculators of every unsightly form might be generated according to the old fable, like monsters in the slime of the Nile.

The atmosphere might become foul and putrescent with the mephitic exhalations of covetousness, stripped of every vesture of shame, and the crapulous excesses of coarse natures drawing from sudden wealth only animal enjoyments. Yet would all this leave the bulk of the gold hoards unmoved. For a hundred millions added to income, four or five might be drawn into the currency, but like the violence of the strain would be the violence of the recoil. Crushing, desolating, revolutionary, the recoil would come, flinging up the base to rank and wealth, casting down the noble, enriching the usurer, robbing the widow, rending the social ties on every hand; in one word, *demoralising*, and hurrying all yet faster down on that steep descent which leads to unknown, but most awful issues. I suppose the worst. I suppose the utmost activity of capital coming in the manner I have mentioned, in which case it could only reproduce on a larger scale, and with cycles more rapid and destructive, effects similar to those which have followed from our own accumulations. The *best* that could be hoped respecting such capital in our present state is, that it would be *wholly inactive*.

New Gold in Payment for Exports.

But, in point of fact, this is not the mode in which the new gold for the most part either has come or will come to this country. It comes in payment for exported goods. Coming thus, there are two cases which require to be considered separately.

First, the aggregate of exports may *not* have increased, and the gold may have come only *instead* of goods which otherwise would have effected the payment; for instance, it may come from Australia instead of wool, which would be the ordinary return.

Secondly, the aggregate of exports may have increased, and the *extra* portion may have been paid for in gold, the returns in goods for the other portion coming as usual.

In the first case, there is no increase in the aggregate of exports estimated in money; there can be no addition to the aggregate of income. Manufacturers' profits and labourers' wages are exactly the same as if wool had come instead of gold. The only difference is, that there is more gold in the Bank, and less wool in the market. Some merchant, who in the ordinary course of things would have had a cargo of wool to dispose of, has instead a credit at the Bank of England, probably to him the less profitable of the two.

I now come to the last and only mode in which the new gold can to any large extent enter into the English currency through an operation upon incomes and prices, and through which it must be felt for many future years, as the chief material impulse acting upon the whole structure of society. And here I conceive that the principle of Mr. Senior's theory[1], which, so far as I know, has never been contested, completely points out the order in which events must take place.

Mr. Senior's Theory.

Mr. Senior's principle is, that the bullion prices and incomes of all goods and persons in England are regulated by the prices of exported goods and the incomes to which they give rise. In other words, England, having no gold-mines, must get all her gold from abroad, and therefore at that point, wherever it may be, where her goods come into direct contact with foreign gold, the relation between the two must be determined. It does not matter whether the gold comes to us from a gold-producing country or not. It is enough that it comes from abroad. A piece of calico will sell for the same at Vera

[1] I may say, that although familiar with Mr. Senior's theory for years, and receiving it as an exact and immovable piece of science, I only saw this application of it after a long and circuitous investigation. In other words, I walked many miles through all sorts of cross roads and wildernesses to a point which might have been reached by one step in a direct line. The coincidence, however, confirmed the conclusion.

Cruz and at New York, allowing for differences in the cost of carrying it; and the price measured in gold which it will return to the manufacturer from thence, or from Hamburg, or from Hong-Kong, must determine the price in gold at which it will sell to consumers in England—must determine, therefore, the profits in gold and wages in gold of the manufacturers and labourers who made the calico; and then, according to Adam Smith's law of equalization, the profits, wages, and other incomes of all other classes successively. Hence, the reason why English labour obtains generally higher money wages than continental labour is, that it is more efficient in producing exportable commodities, and therefore the makers of those commodities obtain, man for man, more gold than their continental rivals do, out of the general markets of the world. Thus the highly-efficient industry of Lancashire and the West Riding has, in half a century, doubled the wealth of the gentry of England. The proudest, yet, after all, the best aristocracy in the world, has been borne up to its lofty elevation by the toil of those little ones whose sorrows breathe forth in that heart-wringing poem of Mrs. Browning's, the "Song of the Children."

Mr. Senior's principle has, to my mind, the simplicity and, if I may so speak, the intuitive self-evidence of a great truth. Its working, however, in actual fact, cannot be other than most irregular—conflicting at every step with disturbing forces, and producing a violent friction and tendency to general dislocation in the social machinery—first in proportion to the vast magnitude and consequent immobility of that machinery; and secondly, to the greatness and violence of the new power brought to play upon it.

It will make the matter clearer, however, to trace first the general line of direction of the new revolution, and afterwards to notice those facts which will tend to obstruct the movement.

Prospect opened by the Theory.

Lancashire, then, must receive, or rather—as I believe, from the great increase in our exports—has already received, the first gush of the incoming stream. There must have been recently a very considerable increase, through profits, of the incomes of the manufacturers, and no doubt much increase also in the gains of the workmen. The expansibility of the industrial system of Lancashire is something of which the mind does not readily embrace the idea. It can scarcely be said to have been ever yet tried to the whole of its extent. The reports of the Factory Inspectors at different periods represent the investment of capital in the building of new mills, during different periods of increased foreign demand, as something more like the creation of an Aladdin's lamp than the works of unaided men. With a proportionate increase of foreign demand, there is almost no point to which the energy of Lancashire could not push the supply. Mills would multiply like mushrooms, and the machinery could be, and I fear would be, worked day and night. No markets could fully absorb production bursting up out of sources so abundant; but before noting any consequences of a check, it is well to trace the result of the first movement.

The quickened industry of Lancashire, of course, would make a large addition to the aggregate of income received and spent by all the manufacturing classes, and some fractional proportion of that sum would be drawn into the gold currency, to distribute the goods consumed. Concurrently with the movement in Lancashire proceed, with a shade less of vehemence, similar movements in the West Riding of Yorkshire, in Lanarkshire, in the Birmingham and Wolverhampton district, in the Potteries, in the iron-works both of Scotland and Wales, and, in short, in all those hives of industry where the daily bread for wife and child is procured by working for unknown brethren at the ends of the earth. All these industries re-

volving with unusual rapidity, fling off considerable additions to the aggregate of the national income, which draws out, as before, some additional circulation.

Successive Rise of Incomes.

The manufacturing incomes thus arising constitute an increase of demand, the play of which against existing stocks and services, heightens their value, and thus is generated an increase in a new and miscellaneous class of incomes, extending in a long and irregular line through a variety of trading and professional persons, from the little grocer whose tea is in double demand, to the fashionable music-master, who unfortunately can neither divide nor extend his supply, so as to give two guinea-lessons at the same time to two different manufacturers' daughters. The production of income out of income may be illustrated by a connection which competent judges have believed to exist between the outlay in railway salaries and wages in 1845, and other phenomena near that period. The enormous personal expenditure of that year in London was followed by most unusual gains to the jewellers through the sale of trinkets and gold watches. It was the impulse, no doubt unknown to themselves, behind the backs of those who set up a second Italian Opera; and, in conjunction with other circumstances, it contributed not slightly to the undertaking of what is the most difficult of all commercial enterprises in England, namely, a new London morning newspaper. At every step new incomes, or additions to old ones, were the necessary consequences. In this manner, step by step, an upward impulse would be given to one series after another of the more variable incomes; but still with slight effect on the large mass of salaried *employés*, and with none at all on that wide-spread agricultural interest, which for a time might see the golden tide swelling and surging over the scorched and blasted plains of northern and central England, and through the populous towns towards the metropolis, without once turn-

ing to visit the valleys of Devonshire, the pleasant downs of Kent and Sussex, or the well-stocked pastures of Lincoln.

First Rise of Agricultural Incomes.

"But land and trade are twins," as Sir Josiah Child says, and the sympathy would be felt. First, the market gardeners, dairymen, and graziers near great towns, would find greater returns. Next, and very quickly, the effect would reach all agriculturists connected with the rearing and fattening of stock; for, while foreign competition in this matter is of no account, the railways are tending to spread out and bring close down over the whole kingdom, the demand of Smithfield and the great towns, growing in intensity at least under the *first* growth of money incomes. The men of the Lothians, as distinctly in the front rank of agricultural industry as Lancashire is in manufactures, contrive to pay rents almost as high as if their lands yielded two crops in the year; and they do this by skill, vigilance, and untiring energy, which, amongst other things, makes Scotch meat come more easily and cheaply to the hand of a London butcher, than if it were fed on the meadows of the Lea or the hills of Berkshire. Receipts from corn growing, of course, with free trade, would do scarcely more than keep at the point determined by the *natural* protection of the home grower above the foreign level.

New Capital drawn to Manufactures.

But here we are brought again to Mr. Senior's theory, which, simple as it seems, involves a process of the utmost possible complexity, and in which only the first line of changes has been traced. We have supposed the general elevations of income to commence with the great manufacturing groups, the change being by them successively imparted to other classes, solely in consequence of *their demand*. But Mr. Senior's

theory now requires of us to look for the action of a new set of forces, lying deeper in the social organization.

The supposed high profits in Lancashire and similar places must needs attract a great deal of new capital. After our survey of the money market, there can be no doubt that new capital previously unemployed would be ready in great masses to meet the demand. But Mr. Senior's theory takes a far wider sweep than one which would merely clear out the supply from the London money market. It requires of us to contemplate a period when the manufacturing incomes, rising enormously, would not only draw to the north and central districts all unemployed capital, but would actually cause a *transfer of capital* actively employed, from those employments in which profits were least, to those in which they were greatest, until profits of all kinds reached the same level. Nor is this all; the range of the theory includes a still greater revolution—a change in the habits of man himself, or, in other words, a considerable *transfer of labour* from employments of the lowest wages to those most powerfully affected by the bullion influx. Then, and then only, the chain of causation would exhaust itself, and a new equilibrium be established; when the flood, heaving up class after class of the variable incomes, loosening as it were the moorings of the most stable industries, and floating them all up, raising the wages of the ploughman, and the salary of the bank-clerk, even the disgracefully poor stipends of the parish surgeon and the parish schoolmaster, should cease its fluctuations, as the last faint wave of change, after communicating, through some unwonted generosity of the House of Commons, its final impulse to the salaries of the servants of the State, died away at the embankment of the funded incomes.

It is true that very extraordinary changes in income did take place during the war, from a somewhat similar cause, namely, the enormous addition artificially made to the aggregate of income—and therefore of demand and prices—by the vast and

continued expenditure of the Government. But I pause, without the least ability to see my way through that interminable vista of confusion, uncertainty, and suffering, which is presented by the thought of such a continued action of the gold influx, as would cause an actual transfer of capital from the less profitable to the more profitable employments, to a sufficient extent to restore the equilibrium.

Transfer of Capital.

The regular flow of capital from the less to the more profitable employments, is one of the familiar postulates of political economy, so frequently assumed in its reasonings as to cause most of those who use it to forget habitually that it is only a postulate, admissible as applied to long periods, but utterly contradicting experience, when it is assumed as taking place either rapidly or without the most calamitous reverses of individual fortune. I know the self-rectifying principle in the social organization which draws *new* capital to the most profitable employments, and also borrowed capital even from active but less profitable exercise; but our concern here is with a vast mass of capital, neither new nor borrowed, upon which profits are low, which therefore ought to have its condition mended by transfer, but for which the word transfer can have no possible meaning but that of *destruction*.

Suppose, for a moment, which I do not believe, that free trade were really to inflict permanent injury on the shipping interest[1]. I do not believe it, though doubtless the *personnel*

[1] At Newcastle, last year, I greatly admired the spirit of an eminent Protectionist ship-owner, who, grumbling like a true John Bull at the policy which he disliked, spent no time in praying to Jupiter, but was erecting in his dockyard a lofty and beautiful structure in the style of the Crystal Palace, simply to protect from the weather the hulls while on the stocks. Let me add, as more immediately illustrating the above argument, that I saw, at the same time, the iron-works of the firm in which Mr. Armstrong is the acting partner—one of those perfect industrial organizations in which man seems to rival the processes of Nature herself. Every varied

of our mercantile marine will require some improvement before it can hold its own with the intelligent supercargoes and captains of North America. But suppose the case of a ship-owner having really to transfer his capital, what is the meaning of the process? It means and can mean nothing but total *ruin*, a simple abandonment of the ships which *are* the capital to rot in the docks or at the river side. Of course a sale of the ships, though a transfer for the individual seller, is none in the sense of the argument, as it would still leave the same amount of capital in the unprofitable employment.

So of agricultural capital; what is the meaning of *its* transfer? It is true that crops, live stock, and draught cattle are always saleable, but what is to be done with the expensive manures or the drainage? How would Mr. Mechi transform his costly and admirable apparatus into something which could be applied to the extended manufacture of calico, or to the production of that which is now most of all in demand at the gold-mines, namely, bitter ale and bottled porter? But we may suppose, in an ordinary case, that a farmer *can* extricate most part of his capital from his holding. When the fields are swept bare, and the auction of the old ancestral furniture is at an end—when he has taken his last look at those bare walls which rang with the joy of his bridal and witnessed the birth of his children, and after the mournful equipage has lingered by the gate of the old familiar churchyard where the bones of the elders repose—where is he to go for his new investment? To the cotton mills! To join in that fierce race of competition, in which the keenest man in England, without a Lancashire education or Lancashire blood in him, has not the remotest chance of holding his ground! In such a contest, the farmer's prospect of improving his profits would be slender indeed. For a man bred to agriculture, there is no transfer possible but a transfer out of

operation, from the most vast to the most delicate, was performed exactly in its place and in its time, without one wasteful movement of a muscle, and all by the aid of a judiciously invested capital. What would have been the meaning of *transferring* that capital? To fling it into the Tyne or sell it for old iron.

England. That may, in many cases, be a desirable measure; but when such is the meaning of the word, there should be no mistake about it.

Reasoning, therefore, involving this postulate of the transferability of capital, always requires to be closely watched in practice, to see how far it may affect that vast mass of capital which has assumed fixed forms in England, and which is moreover closely interlaced with the life-long habits of its owners, and of which the transfer means an inexpressible amount of suffering. For my own part, I must say, free trader as I am, now of twenty years standing—ever since those old exciting days of the Reform Bill, when I learned the principle from the racy catechism and essays of Colonel Thompson and the inimitable articles of the *Examiner*, and above all from the one conclusive argument of the monkeys at Exeter 'Change—if I thought to-morrow that any really large transfer of agricultural capital were impending, or could be averted by legislation, I would write, speak, and vote against a worse waste than the waste of the monkeys—the irreparable waste of human happiness.

Transfer of Labour.

With respect to the transfer of labour, the assumption that labour flows easily from the less profitable to the more profitable employments, so as to produce something like an equilibrium of wages for equal kinds of effort and sacrifice, must evidently be taken with a very large allowance for such actual differences, even in agricultural wages, as those brought together in the highly instructive work of Mr. Thornton on Over Population. Nay, the wide divergence between the scientific postulate and the stubborn fact is still more fully brought home to us by a map in Mr. Caird's new book on Agriculture, in which England appears actually separated by a line into the regions of high and low wages, with an average difference between them of 37 per cent. In other words, masses of the

population have been long festering in misery in the south, at some six or seven shillings of weekly earnings, whilst others have been at the same time obtaining nearly half as much again in the north, at the same kind of employments.

Another illustration of the difficulty which attends every transfer of labour was presented by a circumstance which occurred in 1836. At that time wages being high, and labour much wanted, in Lancashire and Yorkshire, it was thought that great advantage would accrue from removing thither a certain number of families from some of the pauperized districts of Norfolk and Suffolk. The plan had every possible recommendation. The increase of wages obtained by the families who migrated was immense. They were kindly received by the people of the districts in which they settled. Most of them considered the change like an entrance into paradise, and yet it required the whole energy of the Poor Law Commission, then at the height of its influence, to overcome the obstructions which stood in the way of transferring a few hundred families. Nor was this all; the first reverse which took place in manufacturing prosperity, though it did not drive away the bulk of the emigrants, yet produced discontent amongst many, and powerful organs in the press denounced the whole operation retrospectively as a scandalous contrivance for saving the rates in Suffolk, and placing cheap labour at the command of the capitalists.

A still more striking instance of the inveterate strength of the habits which oppose transition from one employment to another, appears in the large body of the hand-loom weavers. Notwithstanding the long period that has elapsed since the depression of their wages, you may still go any day into Spitalfields and see one of these men, who, from his infancy, has been steeped in privation, and who yet not only does not change to a new employment himself—for the gnarled trunk will not readily assume a new inflexion—but is resolved to *bequeath* his inheritance of wretchedness, by condemning his innocent child to that loom over which he has so often bowed his own

despairing head[1]. Various circumstances have combined with peculiarities in the national character to give this immobility to the English labouring population. The Irish, who both migrate and adapt themselves to new circumstances with greater facility, have, as is well known, absorbed a large portion of the new employment in the manufacturing districts. The English labourer does not like to wander if he can avoid it, and the whole of the usages growing out of the poor law have helped to bind him to the district in which he has a settlement. There is no doubt that these obstacles to the movement of the population towards the districts of highest wages are diminishing; but what has been said is quite enough to show that the process of establishing anything like an equilibrium of wages must be one of the most gradual and protracted description.

Prospect of long-continued Changes.

A prospect, therefore, of change not leading to equilibrium or settlement, but to change after change, during a period of such length as to stretch out far beyond our power of conceiving it, is that which would seem to be before us; but two great features distinctly present themselves as almost certain to belong to our social condition during the lifetime of the present generation. Those are:—

1. A greatly accelerated growth of wealth and population, in all those districts which produce commodities for export.
2. A far more powerful tendency than ever to that kind of excess in the real and apparent amount of capital constantly seeking and unable to find employment, which has hitherto been found productive of disastrous and demoralizing speculations.

Lancashire, which may be taken as the type of all the

[1] I have been informed that this practice still goes on in Spitalfields, by my esteemed friend, Mr. C. L. Corkran, the Minister of the Domestic Mission in Spicer Street, whose Christian zeal is combined with great powers of thought and observation.

manufacturing districts of England, will exhibit on the most gigantic scale the social changes resulting from a rapid increase of wealth. The new temptations will first be brought to bear upon that remarkable population, which, upon the whole, in fine native elements of character, can scarcely be surpassed in the world. The moral and intellectual features of the people have been painted by a highly-gifted writer[1] in a work of fiction, which contains more valuable truth than the bulk of histories. The story of "Mary Barton" is worthy of the study of statesmen. "Ivanhoe" and "Old Mortality" are both open to the cavils of the antiquarian, whose value for the letter makes him dead to the spirit of history; but they are in all essential respects more true and instructive exhibitions of the past than can be found in Robertson or Hume, or even in Macaulay. For not only are the peculiar insight and creative power of genius necessary to reproduce life and action, but freedom also, which the historian has not, to choose only such facts out of a highly complex mass as are capable of being reanimated by the imagination. The fiction referred to is, in this view, of more value than any Inspector's report, or than any statistical table. It shows that fine people, in the midst of all their hardships and temptations, as they think, feel, and act; the manly courage and veracity, the stubborn industry, the deep domestic attachments, exposed as these so often are to the rudest trials, nay, the rich and pregnant idiom, still preserved from an earlier time, and even those beautiful tastes for music and natural research, which here and there break out like glimpses of the pure blue sky of heaven through the heavy drifting clouds which overhang the habitual current of factory existence.

Structure of Society in Lancashire.

Amongst that people we shall see developed, on a more prodigious scale than has even yet taken place, a form of society of

[1] Mrs. Gaskell.

too recent construction to possess the safe and well-connected gradations which elsewhere give stability to the social fabric in England. Those districts present the peculiar spectacle of a small and very wealthy class standing apart on a great height, far above the level which is occupied by the rest of the population. The connection between the two consists wholly of those harsh and cold pecuniary links which have never yet had time to become clothed with the soft and warm interlacement of affectionate moral associations. The work carried on by the two parties is essentially one of co-operation; but their moral attitude towards each other is much more one of hostility than one of friendship. The new feudalism, whenever the skeleton shall have put on flesh and blood, will be a higher form of society than the old; but the mediæval revivalists are right in thinking that the earlier and now quite irrecoverable relations were more complete than the modern for their peculiar purpose. In the latter we see far more freedom, more multiplied and refined connections of interest between man and man, and, as a consequence, more power entrusted to each over the welfare of his fellows,—a far greater capacity, therefore, in the whole community to attain a grade of social elevation never before reached by a working class, but also a far greater capacity of moral deterioration and suffering.

Need of new Moral Influences.

Exactly in proportion to that widening in the prospect of good and evil which industrial development causes for the manufacturing population, is the need of new and powerful institutions for acting upon their whole intellectual and moral life, and which shall help to bind the loosened elements of society by stronger ties than any that can be formed by money. There is absolutely no instance in history of a social fabric having survived any serious shock through the strength of such ligaments as grow out of mere prudential calculations. From the nature of the human mind, such a thing could not

occur. Seasons of social trial, such as those of political excitement and popular distress, are seasons of passion, and when passion has the mastery, prudence is gone. At such times nothing will bear the strain but some old habit—something traditional and authoritative—some principle recognised as sacred, because it brings into the daily life of man higher and better influences than any that can ever flow from the weekly pay-table. Amongst a people so rich in moral capacities, the growth of these higher influences is not to be despaired of, if those who see and feel the need do what lies in their power. There is not, indeed, any time to lose. For schools in especial, invigorated by all the zeal that religious faith can infuse into them, the necessity is most urgent. But, if opportunities be not lost, there will be no need to look with regret to times gone by. We may yet realize something better than that chivalry which under its poetic mask concealed and sanctioned an abundance of brutality and disorder. To reform the criminal is, after all, a nobler thing than to lay the oppressor low, and the labours of Thomas Wright are a proof that even now souls heroic, in a higher fashion than any known to the Mannys or the Bayards, are to be found amidst the smoke of the cotton mills [1].

Reactions from Over-Trading.

The manufacturing population is exposed to one class of dangers from the mere increase of wealth outstripping the development of those higher tastes which would use it for other than sensual indulgences. But it is also exposed to another class of dangers from the peculiar liability of manufacturing industry to checks and reactions whenever it is to any very great extent governed by speculation. The expansibility of the factory system, and its power of rapidly glutting new markets, have been already noticed. The causes now and for a long time to

[1] See the highly interesting account of Mr. Wright, in *Household Words* for March 6, 1852. May he be able to adhere to the simplicity of his former life, in spite of the temptations which his recent fame will raise up in his path!

come likely to be in operation, are such as to stimulate excesses of this kind in every possible way. Such new gold as may arrive in England will find all that difficulty that has been explained in getting absorbed into the currency. Not only must there be an increase of income prior to such absorption, but the increase must take place in those classes of income which gold is now chiefly used to distribute. A man who now spends a thousand a year will probably not use a single additional sovereign when his income is doubled. He will carry much the same amount of gold and silver in his purse as heretofore, and all his larger payments will be made, according to the present custom, by cheques upon a banker. It is therefore quite below the mark to say, that to keep ten additional sovereigns in circulation, there will require at least an addition of one hundred a year to the aggregate of annual income. When with this fact is connected the other fact, that the gold which comes to England comes not as income, but as capital, nothing can be looked for but a constant accumulation in the hoard at the Bank of England. For every portion of the new metal which is poured into the basin of the circulation at one end, an equal portion of the mass will be flung out somewhere else. All that is thus rejected becomes dormant, or disposable money capital in that peculiar form which, from the nature of our monetary system, creates an exaggerated belief in the abundance of such capital, and has hitherto, sooner or later, produced all the mischievous varieties of speculation and overtrading.

Such is the conclusion to which an investigation, undertaken with a simple desire of arriving at truth, has brought the present writer. The dangers of which it opens the prospect may be in some degree lessened by a firm and bold legislative policy; but in the main they must be met by the wisdom and self-restraint of the English people. May those high qualities not be absent now, when, more than at any former period, their exercise is required.

CHAPTER X.

Solution of the Problem.

"Wealth has accumulated itself into masses; and poverty also in accumulation enough lies separated from it; opposed, uncommunicating, like positive and negative poles."—Carlyle, 1831.

Conclusions respecting Capital.

It may aid the reader to state briefly the results which appear to be established by the reasoning in the previous chapters.

1. It goes to prove that there is in England a uniform tendency to excess in the growth of money capital disposable for new employment.

2. That the accumulations thus arising have hitherto invariably led to speculative excitement and enterprises, which afforded temporary relief to the plethora of capital, but which were necessarily attended by great individual losses and much disturbance of commerce, credit, and employment, and the spread of that demoralization which gambling produces.

3. That such periods are soon followed by a replacement of the lost capital through new saving, and the great gains of some profiting by the losses of others, accompanied by a renewed and aggravated tendency to the same state of things as before.

4. That without the gold discoveries, the last railway outlay and the crisis of 1847 would of themselves have produced, and that, in fact, there has now again arisen, precisely that condition of capital and industry which has been so often experienced—that condition, namely, of abundant monetary facilities, in which the heralds and precursors of another delusive and ruinous excitement are multiplying on every side.

5. That the effect of the new gold presenting itself here in the

form of money capital disposable for loans, and constituting an addition to that which without it would be in excess, must violently aggravate all the causes leading to speculation which it finds in existence.

To the above the remark may be added, that a powerful, though painful, corrective to speculation, heretofore arising from demands for gold from abroad, is not likely to come into play in the present position of foreign countries, and especially of France and the United States, where the hoards of the precious metals are as much higher than their usual average as our own accumulations in the Bank of England.

Theory of Depreciation.

Connected with the foregoing, and forming what may be called the Theory of Depreciation, the following conclusions are also regarded as established :—

1. That the new gold, so far as it can enter the English currency, must do so chiefly through an action on prices and incomes, arising immediately from increased prices being paid for English commodities, or from an increased sale of them, or from both, in markets out of England.

2. That whatever be the addition thus made to the aggregate of money income in England, only a small fractional proportion of that amount of new gold will be drawn into the currency.

3. That the amount of gold brought here to be spent as income is too small to be of any account.

4. That all gold brought otherwise, namely, by owners, to be invested or employed for profit, or as it will chiefly come in payment, direct or indirect, for exported goods, will, excepting the profit, be new money capital in its primary form, and will enter into competition with existing disposable capital for all kinds of investments.

5. That such capital can only affect prices by first increasing the aggregate of income, already pressed upon beyond its

power of profitably receiving or returning new capital, and that the efforts of the new capital to find employment are thus likely to produce repeated speculative movements of a convulsive and disastrous character.

Finally, the survey of our position has led to the conclusion that the only effectual preservative against such evils is to be found in the diffusion amongst the community at large of a higher tone of moral feeling, and a more correct perception both of the nature of the danger and of the mode of its approach.

In the second part of this work, the attempt will be made to show that, though legislation cannot avert, it may diminish, the evils of speculation, and that the foregoing conclusions warrant the adoption of a financial policy, which, though perfectly consistent with free trade in the food of the people, is not consistent with the exaggerated maxim of leaving the whole direction of industry to private interest, and is different from any that is at present popular.

PART II.

PRECAUTIONS.

"Make to yourselves friends of the mammon of unrighteousness."—Luke xvi. 9.

CHAPTER I.

Political Economy and its Prejudices.

"Ha! I am feeble.
Some undone widow sits upon mine arm,
And takes away the use of 't; and my sword,
Glued to my scabbard with wrong'd orphans' tears,
Will not be drawn."—Massinger.

Political Economy built on Suppositions.

The distinction between political economy as a body of supposed truths or ascertained sequences of phenomena, and political economy as a body of rules designed to govern practice, without a clear conception of which all reasoning on the subject is apt to become a conglomerate of loose abstractions and distorted facts, was first clearly pointed out by Mr. Senior in 1826, in his introductory lecture on Political Economy before the University of Oxford. Three or four years later, in 1829 or 1830, the same distinction, with all its important consequences, was worked out by Mr. J. S. Mill with a luminous precision which left nothing for others to do, except to build upon his foundation. Twenty-two years have elapsed since that time, and yet it may be safely said, that that fruitful distinction is not yet appreciated by ninety-nine in a hundred of those who profess to hold and act upon the principles of political economy. It is not wonderful that the confusion of ideas thus arising should afford countenance to prejudices of a very mischievous nature. Popular political economy has, in fact, settled itself in many minds as *a moral code*, by which it is assumed that both nations and individuals are to regulate their conduct. Amongst the English people, as a whole, the principles of this code are very inconsistently, but

very happily, qualified by that humanity and good sense with which they so often neutralize the vices of erroneous theories. But numerous individuals, with no small influence in the guidance of opinions, are to be found, in whom this absurd amalgam of facts misconceived and theorems misunderstood has all the tenacity of a prejudice and all the virulence of a fanaticism.

If political economy is not to be expelled from rightly constituted minds as a cruel and heartless quackery, it is time that the scandals brought upon it by this vulgar sophistry should be removed, and the conception formed of it by its more enlightened expounders pressed with fresh urgency upon the public mind. Theoretical economy, then, consists properly of a series of inferences, drawn from certain *suppositions*, and the inferences, however correctly drawn, can never represent the reality of things more nearly than the suppositions from which they are derived. The fundamental supposition is, that man acts steadily from a desire to obtain as much wealth as he can with the least sacrifice. This being assumed, it is concluded that men will proceed in certain ways in their labours to produce wealth, and in exchanging their products. Further assumptions, which are often only implied, or made unconsciously, are such as these—that each member of a community is perfectly aware of what the others are doing,—and that he passes from point to point in space, and from employment to employment, as ghosts are supposed to pass through stone walls and oaken doors without feeling an obstruction. These assumptions are often, indeed, very remote from the truth, but yet under some circumstances, and especially in England, sufficiently near it to render the inferences to which they lead, useful for practical purposes, in a way which, by a stretch of the comparative faculty, may be likened to the use made of geometrical truths in mechanics. But the assumption that inferences drawn in this way correspond to actual realities, can never be safely admitted without the application of that test, or appeal to experience, which Mr. Mill calls the *process of*

verification. The true method of the science, then, is first to trace the inferences flowing from certain premises, and then to compare those conclusions as to what *must* be with that which actually *is*. Apart from this process of verification, mere deductive inferences, however neatly and beautifully drawn, are a product of the logical faculty, worthy to be classed only with the metaphysical cobwebs of the schoolmen. In many cases, the deduction will not correspond to the fact, because it assumes the action of some single force, or the presence of only one set of circumstances, while nearly all social facts are the result of many forces, and are highly complex; so that the inquirer must trace out and cause to converge several separate lines of deduction, before he gets at a theoretical result which has any resemblance to the phenomenon before his eyes. In other cases, he may find his deductions so flatly contradicted by the reality, as to be satisfied that there is error either in his premises or in his reasoning. But when deduction is successful, that is to say, in those cases in which it brings out a conclusion corresponding with and explaining that which actually happens, then we rest in it, and act upon it as we do upon the fact that steam will propel, or electricity pass along the wires of the telegraph.

The truths of political economy which are thus established are fewer than is commonly supposed. The practice of most of those who use its language is to take for granted that their inferences are fact. Their method is, to conclude that such things *are* so, because they *must* be so; but not at all because they have ever been *found* so. This is a sufficiently unscientific mode of proceeding, and is likely enough to produce practical errors; but it is safe and innocent in comparison with another which is very common amongst minds of the same class, and which consists in transforming a deductive inference as to the best method of producing wealth into a rule of moral action.

Economical Truths not Moral Rules.

The extraordinary confusion of ideas involved in this transmutation would be incredible, if one did not meet with examples of it in ordinary life and in popular discussion. This, however, is an error so fraught with disastrous consequences, and so dishonouring to human nature, that if political economy could not be separated from such an incumbrance, and cleansed from the pollution brought upon it by the contact, we should do wisely to thrust the whole away from us as an abomination, the very existence of which we could not too soon forget. But there is, in truth, no such necessity. There are important economical truths corresponding to actual phenomena of society, and we may turn those truths to valuable account without surrendering any moral principle, or doing violence to any feeling of humanity. It is quite possible for me, for example, as an economist, to recognise and guide my conduct by the knowledge of the fact, that, with some slight exceptions, men are found to produce the greatest amount of wealth when they are perfectly free to exchange with each other the products of their industry; and yet at the same time to reject—nay, as I do, to loathe and spurn with my whole soul—the doctrine, that buying in the cheapest and selling in the dearest market is to be the supreme rule of human action.

The conversion of even the best ascertained truths of theoretical economy into moral rules, never could be thought allowable by a clear mind, except upon the view, that man was to be treated as if he had not and ought not to have any motive but the desire of wealth. Statements of economical truths are all simple affirmations of results which arise where men act singly and steadily upon that motive. Now, it is quite true, that when men have the habitual regard to the future which such a constancy in the motive implies, they have left mere barbarism a good way behind them, and have advanced, whether for good or for evil, on the path of civilization; but

to proceed from this to the assumption that the steady pursuit of wealth, because it is better than the reckless indulgence of the animal appetites, is to be dealt with as the final and most desirable condition of man, and is to furnish the standard to which all moral requirements are to be lowered, is really nothing less than that deification of an evil principle, which the Christian Church was once wont to denounce as the worship of Antichrist.

It appears to me, that, within the lifetime of the present generation, acts have been perpetrated in the name of political economy, which would not be at all too strongly characterized by that ancient language of the Christian community. It happened, some years ago, that certain landlords in Ireland became convinced that certain portions of land, if held by single farmers with capital, would yield more produce and more rent, for a given amount of labour, than if each were divided amongst a considerable number of families. The conclusion, under certain circumstances, was a truth as reliable as any known astronomical fact which governs the compilers of the Nautical Almanack. But then came its conversion into a rule of action, the tacit assumption being that that procedure which would yield the greatest amount of wealth was legitimate, and might be adopted in disregard of every other consideration whatever. Portions of land, accordingly, which were in the occupation of several families, were, according to the common phrase, *cleared*, with a view to the consolidation of the holdings. In many cases, parties whose fathers and grandfathers had worn themselves out in toil upon the same land, and who clung to it, not only from affectionate remembrance, but because there seemed nothing else in the wide world between them and starvation, were thus removed, sometimes with violence, their houses being burned or pulled down to expel them, always with heart-rending grief, and with parents bed-ridden, and wives or children, as often happened, lying in fever, cast out upon the road-side, either to perish speedily by the merciful visitation of Heaven, or to be spared for the

endurance of such wretchedness as none but the homeless know. Those acts were done in reliance upon a certain economical truth, which it was assumed might be taken as a rule of action. For my part, I admit the truth, with some limitation, and have no doubt that the means taken to produce increased wealth were successful. Yet I entertain a firm conviction, that the perpetrators of those deeds will have to answer for them before the bar of the Eternal Justice, as surely as the veriest wretch that ever expiated his crime upon a scaffold. The strong affections which were entwined around those ruined thresholds and extinguished hearths, and which were rent asunder by such measures, had grown up by the action of far more sacred laws than any which the science of wealth interprets [1].

Doctrine of Laisser-faire.

There is one comprehensive dogma which has arisen in connection with the study of political economy, and which in many minds has acquired even more than the authority of a simple moral principle. It is a mystically sacred rule, to be carried out under all circumstances whatsoever, and, if necessary, at the cost of an amount of suffering which, even if the principle were a part of the moral law, might make the strictest casuist pause before refusing to allow an exception. The dogma is expressed in the well-known answer of the French merchants to the minister who wished to serve them, when they, smarting under all kinds of galling restrictions, begged only to be *let alone*. In various forms, this principle of *Laisser-faire*, or *Let alone*, is pleaded against measures called for by the most

[1] To prevent misconception, it may be as well to state, that the above remarks were in type before the writer heard anything of the recent ejectments in the west of Ireland; upon which transactions, not knowing the whole of the facts, he passes no judgment; but those remarks contain no sanction of a doctrine so subversive of property and society, as that tenants must be left upon the land whether they pay rent or not.

urgent motives of justice and humanity, with an assumption of authority to which, whether in the general domain of morals or in that part of it which is called government, it has no shadow of title. The import of the principle of *Laisser-faire* is nothing less than this—that Government, divesting itself of every relic of moral character, of every claim upon those sentiments of reverence which the constitution of man in all ages has led him to feel for legal authority, should exercise no function but that of protecting the lives and properties of individuals. It means that, the strong being prevented from enslaving the weak, and the poor from plundering the rich, in all other respects, every man, woman, and child should be left to rely upon self. If infancy is abandoned, let it perish. If old age is neglected, let it perish too. If strong men habitually wither and die in the foul atmosphere of towns, which only a collective and authoritative force can purify, still let them perish. If the young, who in a few years will be the people of the land, are growing up with intellect and conscience torpid for want of culture, and passions stimulated by the sight of wealth, with mind and body depraved and debilitated by the premature and exhausting toil to which parental recklessness subjects them, even yet the sacred principle will not yield, but, with the coolness of an ancient inquisitor, while the tongues of flame were playing on the limbs of his victims, lays its hand upon the legislator, and tells him to be still—to let those victims go headlong down to the ruin which awaits them, because the partial evil will be the universal good, and all things will come right in the end. There is no doubt that the *Laisser-faire* dogmatism, though sometimes a cloak of selfishness, is often well meant Indeed, it is never dangerous except when it is so. Its aspect is so hideous and revolting, that, except for the gleams of benevolence in its eyes, the world would have long ago chased it away as a monster. It is no doubt benevolent after its fashion. Torquemada did not love evil for its own sake ; Pope Gregory XIII. was solicitous for the glory of God, when he ordered a thanksgiving for the massacre of

St. Bartholomew; and Cromwell surely had noble ends in view when he thought to shorten the way to them at Drogheda, by the slaughter of helpless women and their little ones. Neither the economical nor the religious fanaticism, therefore, when it is found to sanction acts of cruelty, should cause the actors to be viewed personally in the same light with those who violate moral laws from selfish impulses. But still, whenever benevolence or policy, or a so-called social science, seeks to compass its object by tampering with those primary affections and sympathies which have been implanted in the heart of man, and with those moral laws which they disclose, the narrow and audacious presumption ought to be branded as rebellion against the supreme government of the universe [1].

The dogma of *Laisser-faire* is simply a rash extension of a principle which, within its original limits, was sufficiently correct. For more than a hundred years before the French economists worked out the conclusions which prepared the way for Adam Smith, every commercial reform that took place in France was the removal of a restriction. Every step of improvement, therefore, was an approach to *Laisser-faire*. Very similar has been our experience in England, and it is sufficiently near a truth to be admitted, that men are able to make better pecuniary bargains for themselves than Government can make for them. But the moment it becomes a question concerning something higher than making good bargains, every vestige of claim which the maxim might have to attention at once disappears. And this is true universally, not merely of the disputable, but of the most firmly-established conclusions of

[1] If these remarks should appear to any one to be a mere beating of the air, it may be observed, that the folly is shared in by one of the ablest statesmen and political philosophers in Europe; for example:—

"Près de là j'en vois d'autres qui, au nom des progrès, s'efforçant de matérialiser l'homme, veulent trouver l'utile sans s'occuper du juste, la science loin des croyances, et le bien-être séparé de la vertu: *ceux-là se sont dits les champions de la civilisation moderne*, et ils se mettent insolemment à sa tête, usurpant une place qu'on leur abandonne et dont leur indignité les repousse."—De Tocqueville.

political economy. There is not one of them that must not give way when it clashes with a moral principle, unless it be admitted that man's highest and only proper object is the pursuit of wealth. In a Christian nation, political economy has no title whatever to assume the character of a legislator. It is her business to present such counsels and information as she can, concerning the production of wealth; but their value and application are to be determined upon principles of which she knows nothing.

Resistance to the Principle of Laisser-faire.

Happily, the practice of England has been in accordance with this view. Political economy, in the minds of its most conspicuous representatives, reached the practical conclusion, some thirty years ago, that the poor-laws ought to be—not reformed—but *abolished*[1]. The motives of those thinkers were unquestionably humane; but the conclusion was inspired by that prejudice in favour of the extreme principle of non-interference which had been generated by a long conflict with mis-

[1] "It is true, certainly, that keeping a number of the people on charity diminishes the funds of labour, and maintains a population which the society cannot fairly support. But this is no argument against relieving a portion of the people who, owing to some accidental circumstances, are thrown into misery. If you do not relieve them, they must perish, and the population is thus made adequate to the demand. *This is the mode of acting recommended. I must say, it is to the full as cruel as the most extensive plan of war and conquest.*"—LORD JOHN RUSSELL.

The short Essay on Political Economy from which this extract is taken, and which was written in 1819, contains some opinions which the noble author has since seen to be erroneous; but it also contains some very weighty truths, such as these: that the great limit to the science "is the difficulty of collecting data sufficient upon which to found any certain rules;" that complexities of fact often render its questions "more difficult to solve than almost any problem in the range of mathematics;" and that there is a further limit "to the science of political economy which has been nearly overlooked by its preachers, *the customs, habits, and manners of nations.*" The valuable work of Mr. Jones on Rent has, since that period, done much to wipe away this just reproach, and to the great work of Mr. Mill it is wholly inapplicable. Mr. Mill's expositions of the effect of national peculiarities are full of instruction, and his single chapter on Competition and Custom contains matter for a volume.

chievous restrictions. The humanity and good sense of the Legislature and people of England resolutely rejected that counsel, and there are few who would now repeat it. The competence of working men to provide healthy homes for themselves was another maxim of which political economy felt no doubt. Legislation, however, has found that maxim to be false, and insists, and will still more minutely and extensively insist, upon sanitary conditions being observed amongst the dwelling-places of every crowded population. Still more rude and decisive is the shock that has been given to this perverted application of the science of wealth, by the determined use of the strong arm of Government to protect children from over-work[1], and to deliver them from ignorance. The latter great task, indeed, is as yet only begun, but the principle is recognised, and a more thorough application of it cannot be distant.

Both reasoning and precedent, therefore, concur in setting aside any claim of political economy to *prejudge* propositions of reform, simply because they conflict with a theory so crude in its original conception, and so much damaged by discussion, as that which rests upon the principle of *Laisser-faire*. Any new mode of Government interference which may be suggested must stand or fall solely upon its own merits. When a scheme involves economical evils, it is right that they should be traced and made known; but, unless the whole of the analysis of the monetary system of England presented in these pages be fallacious, it is palpable that our present want is of something quite different from the knowledge of the best modes of producing wealth. England is in deadly peril, in greater peril than she ever yet was from the hostility of foreign enemies, solely

[1] Although at all times earnestly contending for the *principle* of protecting young persons in factories from over-work, I wrote, as a journalist, *against* the proposition of Lord Ashley, until the repeal of the corn laws, but not subsequently; and the opposition being continued in the journal to which I was a contributor, the treatment of the subject was then placed in other hands. It now appears to me that the apprehensions of evil to the working class from a ten hours law, upon which I argued, were mistaken, and that Lord Ashley was right from the first.

because of the intense and unremitting efforts of her most enlightened classes to increase their command over the products of labour. This is a pursuit, a passion, not to be stimulated by the subservience of a so-called science usurping the place of morals, if not, indeed, the place of religion herself, and abusing its wrongfully-acquired authority, by standing in the way of every great attempt to direct men to nobler aims. It is, on the contrary, a tendency to be held in check and controlled by every instrument of moral, literary, or legislative influence, which may be found effective for the purpose.

It is scarcely possible to doubt that juster views are now rapidly spreading of the true nature of that social science of which the doctrine of wealth forms the humblest part. The great work of Mr. Mill has already given, and must long continue to give, the most powerful impulses to thought upon this subject. With the exception of Mr. Carlyle, no one has done so much as he to realize the anticipation expressed some years ago in the following passage, in an article in the *Edinburgh Review*, which was supposed at the time to have proceeded from his own pen:—"Let the idea take hold of the more generous and cultivated minds, that the most serious danger to the future prospects of mankind is in the unbalanced influence of the commercial spirit; let the wiser and better hearted politicians look upon it as their most pressing duty to protect and strengthen whatever in the heart of man, or in his outward life, can form a salutary check to the exclusive tendencies of that spirit; and we should not only have individual testimonies against it in all the forms of genius from those who have the privilege of speaking, not to their own age merely, but to all time; there would also gradually shape itself forth a national education which, without overlooking any other of the requirements of human well-being, would be adapted to this purpose in particular."

The picture that has been given, in the preceding pages, of the evils with which we are now threatened, represents them as

incapable of being averted merely by the power of the legislator. But it is still possible by legislation either to aggravate or to check those evils, and it is of great importance that such power as it may have should be wisely directed. It appears to me that a series of great measures, founded more or less on the principles which have been developed, might now be adopted with this view. The chief of these, being a plan for making the Government instrumental in directing to agriculture a portion of the capital at present in excess, will be opposed by the whole authority of that gospel of selfishness which attributes infallibility and omnipotence to the suggestions of private interest. The several drainage Acts, however, which are working successfully, are practical precedents for the measure in question; and if it shall appear to have intrinsic advantages, the good sense of the English people will judge of it without being deterred by any scruple against a new inroad upon the principle of letting everything alone.

Before proceeding to an explanation of those practical measures, it is necessary to notice another obstacle likely to be presented to some of them by the strong tendency now existing to urge great reductions of taxation as the most essential of all reforms.

CHAPTER II.

TAXATION.

"Let us vote
Our list of grievances, too black by far
To suffer talk of subsidies."—BROWNING.

Ancient Feeling respecting Taxation.

THE impatience of taxation, which has been sometimes charged as a fault upon Englishmen, is an old habit of the national mind, the roots of which must be traced far back in the history of English liberty. The origin and strength of this habit, and its title to respect, are expressed by Burke with his usual depth and comprehensiveness in the following passage, in which, defending the colonists of North America, he paints the race from which they sprang:—

"It happened, you know, Sir, that the great contests for freedom in this country were, from the earliest times, chiefly upon the question of taxing. Most of the contests in the ancient commonwealths turned primarily on the right of election of magistrates, or on the balance among the several orders of the State. The question of money was not with them so immediate. But in England it was otherwise. On this point of taxes the ablest pens and most eloquent tongues have been exercised; the greatest spirits have acted and suffered. In order to give the fullest satisfaction concerning the importance of this point, it was not only necessary for those who in argument defended the excellence of the English constitution, to insist on this privilege of granting money as a dry point of fact, and to prove that the right had been acknowledged, in

ancient parchments and blind usages, to reside in a certain body called a House of Commons. They went much further; they attempted to prove, and they succeeded, that in theory it ought to be so from the particular nature of a House of Commons, as an immediate representative of the people, whether the old records had delivered this oracle or not. They took infinite pains to inculcate, as a fundamental principle, that in all monarchies the people, in effect, themselves, mediately or immediately, possess the power of granting their own money, or no shadow of liberty could subsist. The colonies draw from you, as with their life-blood, these ideas and principles. *Their love of liberty, as with you, is fixed and attached on this specific point of taxing.*"

In truth, it was nothing but the instinctive sagacity and the energy with which the people seized and wielded this instrument, that kept in check such vigorous kings as those who at different times held the English sceptre. From Edward I. to Elizabeth this was the one effective shield of the national liberties. But it must always be remembered, that it was this, and no other cause, which dignified a zeal in the guardianship of the public purse that in itself would have been narrow and sordid. If John Hampden had been only concerned for his forty shillings, we should not now think his name and his fame amongst our most precious possessions. But when we remember that, in fact, the right of England to govern herself did practically hang upon the issue of that great contest, it rises altogether out of the region of legal and financial squabbling, and becomes invested with a glory such as hovers over every great stand made in defence of human liberty, whether in the field or in the senate.

It concerns us deeply, however, to take care that this jealousy of taxation, which in past times played so noble a part, should not, with ourselves, be stripped of its historical character, and degenerate into a mean and wrangling anxiety for economy, which is deaf to the most peremptory calls of honour. Let it not be said that such an apprehension is chimerical.

The evil is very possible; nay, it is imminent, if not present. That it is possible, we have too painful proof, I am sorry to be obliged to say it, in the States of North America; and nothing can be more instructive to Englishmen than to study the political history of those States, as that which shows into what errors an Anglo-Saxon people may fall. The North American colonists did, as Burke truly said, carry out with them that jealousy of taxation which they had received as part of the noble inheritance of English liberty. In the resistance to the stamp tax, which led to the revolution, the old weapon that had conquered in so many fights was once more taken down, and was destined to win yet another wreath of victory. But American independence once established, and the people being in the most complete sense self-governed, it was then time for the introduction of a new view of taxation, in which it should no longer appear as a mere shield against tyranny, needful in barbarous times, but as a highly convenient and valuable instrument for effecting every object of social well-being, which can be only or best accomplished by the community acting in its collective capacity.

This change of sentiment did *not* take place in America. The old dislike to taxation remained under circumstances in which it could not but degenerate into a sordid concern for the safety of the pocket. In that people, amongst whom life moves so swiftly, every seed of moral evil soon ripens, and the fruit of this one has been presented to the eye of the civilized world in the foul and loathsome form of REPUDIATION. It pains me, who love America and the Americans, to touch upon this sore subject, but there is no help for it. Impatience of taxation, indulged to the disregard of every higher principle, was the cause of bringing upon the fair fame of the young republic that deep dishonour. I do not make the mistake of attributing to the Federal Union acts which are chargeable only against single States. It is enough for this argument that *any* State was found guilty of such conduct, and, above all, that a State like Pennsylvania, with all the moral and intellectual

advantages which a people could possess, should have been capable of that long neglect of her just obligations, which proved as ruinous as formal repudiation could have done, to numbers of her innocent and helpless creditors. This is not said for the reproach of America, but for the warning of England, as showing to what lengths a strong popular dislike to taxation may lead when once it puts men upon making comparisons between the interests of the pocket and the claims of duty. There is not, indeed, it may be fairly hoped, any danger of our coming to repudiation, or to any practical breach of the national faith in England; but those who choose to turn to the popular discussions of 1821 and 1822, will find that, in a time of distress, ideas of that kind are not incapable of finding admission even into minds laying claim to superior enlightenment.

Present Danger from Dislike to Taxation.

Our present danger, however, is different, and perhaps harder to be guarded against, because it does not at once arouse all our nobler feelings to resist it, as they would be roused by the rise and growth of an open and flagrant dishonesty. That danger is, the gradual prevalence and ascendancy of a sordid and miserly spirit in all matters of finance, which will shut its eyes and close its ears to the most urgent wants, if, referring to anything beyond the indispensable machinery of police, they threaten to involve the least addition to the national expenditure. This temper is growing in the public mind, and its influence is every year more perceptible in the House of Commons. That a tendency to sordid economy in public matters is becoming more and more prevalent in the nation, is likewise often shown in the conduct of a more numerous class of popular representatives; namely, those who constitute the various boards of poor-law guardians. Amongst those boards there are differences, owing to the influence which energetic individuals always exercise; but in numerous cases it holds true that, in matters in which genero-

sity would be perfectly safe, they are hard, close-fisted, and impenetrable to all appeals. Observe with what unrelenting meanness they screw down the medical officer to the lowest penny, which desperate professional competition compels him to take. Yet what services are of more value, or can involve such incessant toil and self-sacrifice? The guardians are obliged by law to give food to the poor, and they, no doubt, fulfil that law fairly. But they can withhold education from the young—that education which, taking them for ever out of the slough of pauperism, would be the most enlightened of all kinds of prudence; and they *do* withhold it, for that which is usually afforded in workhouses, with some exceptions, happily increasing in number, is wholly unworthy of the name. Much, indeed, has been done for its improvement, by earnest practical reformers, but it is, after all, only a beginning. The state of pauper education is still the most eloquent of commentaries on the mischiefs of a false and short-sighted economy.

But it would be unjust to attribute this reproach exclusively to boards of guardians, for the spirit which animates them is in a great measure also the spirit of the House of Commons. The members of that assembly show no superiority in their regard for those whose claims to education are far stronger than the claims of the children of paupers. Why is the education vote for the country at large still so paltry? It is the fault of ministers, it may be said; but ministers are never slow to propose increased votes, when they expect them to be carried. No, cabinets are but instruments. It is that men in office are scared, and not in reference to this alone, but in reference to every object of public utility, by that economical bugbear which the House of Commons constantly holds up before their eyes. The consequence is, that a low huxtering spirit is becoming increasingly prevalent in the parliamentary debates. The debates form the chief intellectual food of many thousands of readers; and where no other mental stimulants will operate, it is a great good to have the mind of the people developed even by such matter as those wearisome reports supply;

but, beyond all doubt, it will happen, that wranglings about cheese-parings and candle-ends, such as we have had so much of, if further continued, will deteriorate the whole moral tone of the nation, and dry up all the sources of those nobler emotions which give strength and elevation to the current of the national life.

Mr. Norman on Taxation.

A writer of much authority and experience has lately published the result of a very careful inquiry into the supposed great pressure of taxation, and his conclusion is, that the cost of the public service is by no means so great in England, either in reference to the work done, or to the resources of the people, as in the chief countries of the Continent. It certainly does appear to me, that no dispassionate man can read the calm and able pamphlet of Mr. Norman without conviction. No attempt worthy of notice has been made to show either error in the facts or fallacy in the reasoning, and however inveterate may be the prejudice against which it is directed, the truth is too hard and penetrating not to break its way through all obstacles at last. It would be useless here to repeat what Mr. Norman has already said so well, and evidently with such complete freedom from party and controversial bias; but fully believing his view to be in the main correct, and differing from him chiefly as to those allowances which he candidly makes against his own argument, on account of depreciation under the Bank restriction, which according to the representation given in the present work did not take place, I rest in, and argue upon, his conclusions as established, and regard them as amongst the most valuable materials for the use and guidance of the legislator that have been produced in our time.

Mr. Ricardo on Taxation.

With respect to the parties upon whom the burthen of taxation, whatever it may be, actually falls, if the purpose of the

present work required a full consideration of the subject, it would not be difficult to show, from the principles explained in the First Part, that most of the received economical conclusions do not rest upon a scientific basis, and also that the popular notions on the subject, though practically nearer to the truth, contain a good deal of error. Here, however, it must suffice to offer a few remarks tending to show the very wide divergence between some of the economical deductions and the facts of common experience. The abstract writers find it necessary from time to time to neglect the consideration of *space* in their reasonings, which is allowable enough, provided the dropped element is carefully taken up again, before passing out from the region of hypothesis to the region of practice. This last step, however, is sometimes omitted, and, of course, error is inevitable. But errors arising from the abstraction and subsequent oblivion of the element of *space*, are trifling compared with those which are caused by the wholesale and habitual annihilation of *time*. A change, for instance, such as a rise of wages effected through an action upon population (one of the rarest of all possible events), is once or twice spoken of with a recognition, more or less distinct, of the fact that it could not be accomplished in *less than a generation*. That fact being noticed, the conscience of the abstract economist is cleared, and he forthwith proceeds to crush up the long series of painful events involved in that change into a single link, connects it with other links condensed in a similar manner, and then the chain is made to fly backward and forward through every deduction, as easily and frequently as if the rapidity of association in the mind of the reasoner had some sort of correspondence with the actual movement of human affairs. By such extreme abstraction all the friction which is really experienced in the social machinery, and in connection with which many of the most important practical questions arise, is completely thrown out of view, and treated as non-existent. In this respect, Mr. Ricardo is a sinner of the first magnitude. His mind became so absorbed in the relations subsisting between his own abstract ideas, that

he seemed at times to take them for external realities, as a diseased eye projects an image into the space before it. Candid and truth-loving as he undoubtedly was, this is the only mode of explaining his resistance to a fact of the most common experience. It is almost amusing to see him quarrelling with Say, one of the strictest of theorists, because he was not strict enough in an extreme case to prefer the reasoning to the reality. Both writers started from postulates which warranted the conclusion that a tax imposed upon a commodity falls wholly upon the consumer; a conclusion which would be perfectly true if the premises were true, but which, in fact, is very remote from the truth. Say, to do him justice, was very steady in keeping to the strict logical path; but in this case he had been struck by a common fact, and went out of the straight line to acknowledge it. He said that "a manufacturer is *not* enabled to make the consumer pay the whole tax levied on his commodity, because its increased price will diminish its consumption." There is no seller of a taxed commodity who will not vouch for the truth of this statement. It agreed with the fact, but it did not agree with the theory, and Ricardo, like Mrs. Battle at whist, loved the "rigour of the game." His answer to Say is an example of the most resolute logic that ever rode full tilt against a fact. "Should this be the case," he says, "should the consumption be diminished, will not the supply also *speedily* be diminished? *Why should the manufacturer continue in the trade if his profits are below the general level?*" Why, indeed? Answer the question, ye paper-makers and soap-boilers who annually besiege the Chancellor of the Exchequer. According to the strict principles of abstract political economy, the tax *ought* to be to you a matter of perfect indifference.

Of course, *if* it were true that capital could be transferred as a liquid is poured from one vessel to another without spilling most of it in the process, and *if* all-powerful habit did not keep men, while a gleam of hope remains, in the employments in which their lives have been spent, and, above all, *if* capital

created its own return, so that there was not always a fund looking out in vain for new investment, then the Ricardo dogma would be impregnable; but the first and second assumptions being very wide of the truth, and the third in direct contradiction to it, we cannot wonder that both that dogma, and all others built upon the same foundations, have to be abandoned as untenable whenever they are wanted for any practical purpose.

Real Incidence of Taxation.

The truth is, that the incidence of a particular tax can no more be determined than the pressure of a particular tub of water after it has been flung into the river, or the exact limits of a morsel of infectious matter when once placed within an animal body. The moment a new tax is imposed, the sensitive spot which is struck, begins to work it off into the surrounding region, and the new weight soon coalesces with the whole pre-existing mass, to be moved to and fro under the influence of an immense concurrence of causes. If, therefore, the question be, upon whom a certain tax fell when it was originally imposed, the answer may be, one particular class. If the question be, upon whom, after existing for one or more generations, it now falls, that is to say, whose income is now less than it would have been if no such tax had been imposed, the answer will point to quite a different class. If, lastly, the question be, as to whom the removal of an old tax will immediately benefit, the answer, paradoxical as it may seem, must carry us to a class different from that on which, in the sense of the second reply, the tax does actually press.

If, for the purpose of science, it were allowable to disregard the element of *time*, and confining our view to the main line of causation, to combine its extreme limits in a single proposition, then the general truth would be, under our monetary system, that *all taxation falls upon the receivers of landed, funded, and official incomes, or upon foreigners.* In other words, if

there had been no taxation in England during the last fifty years, then neither the labourer nor the capitalist would at this moment receive a larger share of the produce than he actually does; and there being of course no funded or official incomes, the aggregate of what now goes in taxation would be enjoyed to some small extent by foreigners, but, with that exception, wholly by the owners of land. This result would have been brought about by the twofold competition of capitalists and labourers. Taking periods of considerable length, wages stand at the *moral minimum*, being kept *up* to that point by the existence of a certain standard of comfort in the minds of the people which makes them struggle hard to secure it; but being also forced *down* to the same point, or prevented from rising above it, by the competition of the labourers. In like manner, profits are habitually at a minimum, kept *up* to that point because capitalists will not go on if profits sink much below it, and kept *down* to the same point by a competition even more intense than that of the labourers. Hence, in a scientific sense, and taking those long periods into view which are usual with economists, the incidence of the bulk of taxation must be upon the receivers of what may be called residuary incomes. If a tax now seems to go out of wages, the absence of that tax would have allowed the same forces which fixed wages at the present point, to fix them so much lower. In like manner, a tax which seems to go out of profits, if it had not been imposed, would have left a surplus to be worked off by competition in the same manner, and profits and wages being thus habitually pared down each to its minimum, the whole remainder of the national produce must have gone to the landlords. All incomes and calculations being computed in money, the landlords would have obtained in this way higher money rents, and not only that, but with equal sums a greater proportionate command over commodities, from the constant lowering of prices. In the actual state of things, the latter benefit is shared by the possessors of funded and official incomes. Hence, upon the same assumptions as before, every remission of taxation tends to pass

through all other classes, and away from them, until it comes to operate permanently to the advantage of the owners of residuary incomes. This is the only general scientific statement that can be advanced respecting the incidence of taxation, and the corrections which it would require at any moment, in order to correspond with reality, must be made by allowances for a multitude of disturbing forces which, though the nature of each may be understood abstractedly, defy all estimate or precise analysis in their concrete operation.

Effect of Remissions on Producers and Consumers.

It will hold practically true, however, that the remission of a tax is always of most immediate importance to the producer of the taxed commodity, or to some of those who intervene between him and the consumer. One may see this from the way in which the benefit of a fall of price is so often intercepted by dealers. The butcher, the baker, the miller, the brewer, all do this habitually, and the case in which the chief benefit of a fall or remission is not a long time in reaching the consumer, is that in which some important addition is made to the sources of supply. Enlargement of supply may or may not concur with the remission of a tax, but wherever it does occur, it is the most powerful cause of rendering commodities cheap to the consumer. In no case, however, in which a tax causes the demand for a commodity to be less than it would otherwise be, can it be said that the producer of that commodity would not derive important benefit from its removal.

Questions of Taxation subordinate.

But the practical importance of these questions is greatly exaggerated. There is no doubt room for financial reforms, in getting rid of taxes which obstruct the diffusion of knowledge, in removing when it is possible those which, like the soap tax,

obstruct domestic industry, and in judicious reductions which might leave the gross revenue safe, as in the case of the excessive duty on tea; but such questions are at present subordinate, and the *aggregate* of the national revenue cannot be reduced with safety to the highest interests of the country. Nearly one-half of the bulk of our taxation is appropriated, under the most binding obligations, to the payment of the national debt, which, however unwisely incurred, is now under the protection of the national faith, and however burthensome in past times, has been growing continually less so from year to year, and is now certain to be of less importance than ever. To disturb or meddle with that obligation, even by discussion, is as wrong as to bring into question the titles of landowners to their estates. In both matters a reckless logic may gain very cheap triumphs, but the peril of such attempts to lift the foundations is awful. Their tendency can be only to violent revolution and a scramble, and to the inconceivable wretchedness and hopeless demoralization which such events always engender. The other half of the revenue may not be either levied or expended with the soundest judgment, but its aggregate amount, instead of being too great, is too small for the great objects which ought to be accomplished by the English Government. This opinion is sustained by the high authority of Mr. Mill, and the convictions of men like Mr. Mill and Mr. Norman must ultimately have more weight than all the vague popular prejudices which are now everywhere ready to float about the hustings. Let us, therefore, while we remove as far as we can from that decaying prejudice of a narrow political economy, which would bar the most important exercises of the power bestowed upon Governments by civilization, cast also aside this popular error of the unparalleled weight of our taxation, and endeavour with minds free from bias to look at the great facts of our real position at the present time, and see whether, upon grounds intelligible to every man of common sense, there be not some measures of a comprehensive nature required, to serve as a counterpoise to the over-rapid development of com-

mercial wealth; to secure the highest welfare of the manufacturing population itself; and, most urgent of all, to organize on a solid foundation an effective system of military defence, and to enable England, without fear or shame, to resume her proper place, and perform her most sacred duties as a member of the great family of nations.

CHAPTER III.

Rural Life and Employments.

"The stately homes of England,
How beautiful they stand,
Amid their tall ancestral trees,
O'er all the pleasant land."—Hemans.

Rural Scenery of England.

The sweet singer from whom these lines proceeded never uttered anything more beautiful or more true. No one, I suppose, would like to see the tall ancestral trees displaced, or even disfigured by the smoke of manufacturing chimneys. The great men of the mills and the mines have strong in them the healthy old English relish for a country life. How they fly when they can from the factory and the counting-house to the fields, like children with delight rushing home when the business of the school is over. There is Mr. Mark Philips, with his fine figure and ruddy cheeks, as perfect a squire as if his ancestors had been out under Rupert, or his title-deeds the gift of William the Norman. There are the Gregs, whose farming accounts, furnished to the Committee on Burdens on Land, contain such valuable materials for exact insight into the nature and relations of agricultural capital and income. There are the Marshalls, a colony of them in Cumberland. How they must revel in the intoxicating beauties of Ullswater and the lake of Keswick! But there is no need to go to Cumberland, or even to Devonshire, for rural beauty. It is, as Wordsworth says, the simple produce of the common day. Go where you will, you cannot escape it. The ordinary English landscape is far

more beautiful than any that one usually meets with on this side of the Alps, or than the general surface of Ireland or Scotland. Ireland, in spite of her rich green pastures, has generally a bare and desolate aspect, and the luxuriance of Wicklow and Killarney are at times almost agonizing from their contrast with the visible wretchedness of the people. But in England, to the outward eye at least, all is harmonious. One great charm arises from the multitude of hedgerows, full of wild flowers, which, as Mary Howitt's sweet lyric teaches us, exist for their beauty alone. Then there are the masses of varied foliage scattered over the more distant landscape in every variety of grouping—here stretching off in lines, like a rich framework for the precious corn-fields, and there spreading out over the slopes of the hills, but everywhere delighting the eye, which at last, perhaps, draws off and half closes under the shade of a near group of lofty elms, or, grander still, of ancient gnarled oaks, flinging their branches abroad, and suggesting the thought that they may have seen the great Civil Wars, or may connect us with the days of Elizabeth.

How one sees in the productions of the great Elizabethan writers the influence of the English landscape. In reading Shakspeare, above all, it is as if the sun, glancing through the leaves, constantly cast their shadows on the page. Milton had such scenery in his eye in the creation of Comus, and the Garden of Eden. You see it in the unrivalled imagery of Jeremy Taylor, in the rural yet holy tranquillity which breathes in the poems and the Country Parson of George Herbert. You see it breaking in through all those terrible internal conflicts upon the soul of John Bunyan, that great poet of the people. Nay, you see the natural love of it even in Alexander Pope, forcing its way through the restraints of the false French taste, rising again with great force in Thomson, running like a silver thread through the dark and mysterious web of Cowper's life, and then spreading out in boundless expanse for the inspiration and refreshment of mankind in the pages of Wordsworth. How full of it is English art! I am no judge of

art, admiring only with the children and the Easter-Monday mechanics, but Italy can scarcely have any treasures of more worth to the common mind, than some of those landscapes of COOPER, and LEE, and CRESWICK[1].

Its Moral and Social Effects.

This love of natural beauty, and the scenery which corresponds to the feeling, constitute the chief sustaining influence in the lives of many men. I know one noble-hearted worker, a man of true Cromwellian energy, and indeed with an infusion of actual Cromwellian blood in him too—who will even, I believe, do one day what Cromwell could not, namely, get the better of those sons of Zeruiah, his brethren the lawyers, and force a reform in chancery procedure, with proofs gathered from facts by the strictest method of induction—who, with a prodigious mass of work, far too much, on his shoulders, can go year after year, in his holiday, to the same place on the banks of the Thames, and with his wife and his children, and the artist friends who love him scarcely less, drink in from the river-banks, and the trees, and the waving autumn corn-fields, and the hills receding towards evening in the lovely ever-deepening blue distance, not only immediate enjoyment, but strength, and that bracing of all the higher powers of the soul which fits men for the sternest tasks of duty. But it is not only in natures like this one, in which the elements of love and poetry are overflowing, that the passion for the country appears. It is found strong in men who care comparatively little for poets and pictures, who live almost wholly in strife, and who have it fresh, as it were, from the original fountain of nature, welling up in their own souls. There was William Cobbett, whose life was a storm and a battle, yet whose enjoyment of rural

[1] As to Mr. MILLAIS, I dare not say half what I feel. The painter of "The Hugonot" is surely a great artist, if ever there was one. May he sacredly obey the monitions of his genius, and may we, in these days when temptation can so readily entwine itself with the tenderest affections, profit as we ought by that noble and soul-strengthening lesson.

scenery bursts out, soft and beautiful, in the midst of his harshest polemics, and makes the reader feel that, under that rough and cross-grained exterior, there beat a heart of the richest and most genial endowment.

Now this universal hankering after the country, which is so deep-rooted in the national mind, and is connected with such a multitude of healthy moral influences, corresponds to—and is in a great measure dependent upon—the realities of rural employment and rural scenery which exist in England. At the present time, beyond all others, whatever tends to give additional force to such influences must be of inestimable value.

But what has all this to do with political economy? A good deal, even with the lower branch of the science, and much more with that to which what is commonly called political economy should be the handmaid. Our survey of rural attractions is, in fact, an estimate of the most important part of the fixed capital of England. By far the greater part of the beauty which the poets and the artists love, has been gradually produced by the efforts of innumerable labourers. Generation after generation they have silently passed on, leaving this monument behind. The oaks and elms rear their lofty foliage, the hedgerows bloom, the pastures in which the cattle are half-hidden spread out their rich expanse, and the fields of golden grain are waving, where swamps and barren wastes alone were seen before the hand of man began to call forth the hidden riches of the soil. This is no dream of the fancy, no mere imagination of the poets. It is the plain statement of the statistician, of one who, in spite of his reverence for Ricardo (natural enough in an affectionate disciple), has quietly got rid of many Ricardo abstractions which obstructed his view of realities. Hear Mr. M'Culloch in the "Geographical Dictionary," and compare him with Mrs. Hemans [1].

"The distinguishing peculiarity in the aspect of the country

[1] This comparison is literally offered to the eye of the reader, in an admirable selection of English poetry, by Edward Hughes, the author also of other educational works of much merit.

is, however, the exuberance of its vegetation, and the rich luxuriant appearance of its lower and far most extensive portion. It owes this distinction partly to nature and partly to art. The humidity and mildness of the climate maintain the fields in a constant state of verdure; in winter they are seldom covered with snow or blighted by long-continued frosts, and in summer they are rarely withered and parched by droughts. In this respect England is as superior to the finest countries of continental Europe—to Italy and Sicily, for example—as she is superior to them and to every other country in the amount of labour that has been expended in beautifying, improving, and fertilizing her surface. It is no exaggeration to affirm, that thousands upon thousands of millions have been laid out in making England what she now is. In no other nation has the combination of beauty with utility been so much regarded. Another peculiar feature in the physiogony of England is the number and magnificence of the seats of the nobility and gentry. These superb mansions, many of which are venerable from their antiquity, and all of which are surrounded with fine woods and grounds, give to the country an appearance of age, security, and wealth, that we should in vain look for anywhere else. The farm-houses and cottages have mostly also a substantial, comfortable look; and evince that taste for rural beauty, neatness, and cleanliness, that eminently distinguish their occupiers."

Present State of Agriculture.

No practical statesman or moralist can doubt the national importance of preserving and, if it may be, of still further beautifying this unrivalled inheritance, upon which so much toil has been spent. More desirable, certainly, than the further extension of mines, or workshops, or factories, would be the means—if means can be found—of infusing new life into every branch of agricultural industry, of stimulating the cheerful voice of labour behind the plough, of restoring the joy of the harvest-

home, and fostering the taste which twines the roses round the cottage door. In the present state of agricultural England, some such means are certainly needed. No free-trader, with any pretension to candour, can deny that the farming interest is depressed. The admission involves no blame to free trade in the food of the people, which is not the less just because it may happen to inflict hardship upon certain classes. The fault may even lie in the farmers themselves, or in the landlords, or, as I should be disposed to say, in thirty years of unwise legislation; but, however this may be, the fact stands—agriculture *is* depressed. Even in a party sense the admission may be made with safety: for politically these poor farmers are undoubtedly beaten. After being led for the second time into the field, they find the old banner again lowered to the adversary before the firing of a single shot. They really are not any longer formidable. The aged lion has not so much as one surviving tooth, and it is the merest dictate of humanity that those whom he might have frightened for a moment should now put aside their fears, and look with pity and generous tenderness into the wounds with which he is evidently bleeding.

The agricultural interest, then, generally speaking, is depressed, because for some time back this branch of industry has been a losing one. It can require no minute analysis of farming accounts to convince any unbiassed man of common sense that this must be the case; because if the farmers have not lost, and lost heavily, during the late low prices of grain, they must have habitually realized enormous profits when the average range of quotations was so much higher. If they have received only ten shillings a quarter less on forty millions of quarters of all kind of grain, which is no exaggerated estimate, but on the contrary below the truth, their annual loss has been twenty millions sterling. If they still flourish after such a loss, their former condition must have been one of extraordinary prosperity. Yet it is certain that farming is not that branch of industry in which great fortunes have ever been

made in England. It is true that, under the excessive stimulus of the Government demand during the late war, very large profits were in some cases temporarily realized; but they were only temporary, and soon flowed off in increased rents, which were never afterwards lowered in any degree at all proportionate to the decline which took place in farming profits. In truth, under ordinary circumstances, it is a struggling branch of industry—able to keep its ground, to hold its head clear above water, as it were, but with no superabundance of strength, which can be taken out of it and not missed. In the days of Edmund Burke it was "a poor trade," subject to great risks and losses; and that eminent observer, who upon such a point was little likely to err, rarely knew a farmer who, after years of persevering toil, was able to do more than leave his children to begin life just at the point from which he had started himself.

In one important respect the farmer differs from the shopkeeper, the merchant, or the manufacturer. There are no weekly, nor monthly, nor even quarterly returns to his capital. The slow revolving year alone replaces what he expends, even where the replacement is quickest; and during that long revolution what things may occur to make the result a disappointment! A climate too genial in January or too harsh in May, a frost when the tender blade is springing up, or rains when, in the words of Lord Brougham, the sickle should be glancing amongst the stalks,—to say nothing of occasional visitations of blight in the ripened ear, or disease amongst the cattle,—are any one of them enough to make the gain upon the sum total of the year's labours an almost inappreciable quantity. Neither is farming one of those lazy trades which go on almost of themselves. Every business, indeed, that is worth much requires the master's eye, but none more than this. Without vigilance and toil, and constant discretion in deciding between the wise and the unwise outlay, such capital as a farmer has would melt away like snow before the fire. He does not eat the bread of idleness; and when, after being on foot early and late, the struggle *does* go hard with him—rent, and tithe,

and taxes, and wages flowing off very much as usual, out of sadly-diminished receipts—it is not wonderful that he should sometimes seem a little out of his wits at a protectionist meeting, or that he should take his place at a board of guardians with a grim determination to screw down the rates, which gives him an aspect of hard-heartedness very foreign to his real character.

A Stimulus wanted.

The farmers, then, have certainly been losing of late, and those in the more backward districts—the great majority of the whole class—have considerably less capital than they had ten years ago. In general they may be said to be low-spirited, discouraged, looking half-sadly half-curiously at those wealthier or more energetic members of the class, who are meeting their difficulties with true English pluck, and breasting with bolder strokes than ever these rough waters of free trade. The majority are down-hearted, and all the while desperately scolded and snubbed and lectured for want of enterprise; landlords even, who are themselves not conspicuous amongst the working bees of the hive, showing in their speeches a much stronger sense of the evil of undrained clays, and fields too fertile in rushes, than is entertained by the melancholy listeners from whom their rents are received. The case is evidently one of those for which the medical faculty is accustomed to prescribe tonics or stimulants—something, perhaps, a little bitter on the tongue, but giving a new and delightful sense of life, when it begins to tell upon the inward parts. For the agricultural languor, accordingly, different stimulants have been suggested. Mr. M'Culloch is known to have an affection for the "stimulus of taxation;" but with a good sense, which is more valuable than theoretical consistency, he has never advised that this should be tried upon the farmers. Another eminent authority, Mr. Porter, has considerable faith in the stimulus of "low prices." I am sorry to say that I have not equal faith in the

virtue of the remedy. It appears to me to be, like the stimulus of taxation, one of those drugs which, however useful under certain circumstances, has, upon the whole, a tendency to lower the patient. It would be difficult to find a more instructive work on economics than the "Progress of the Nation;" but those who learn from its remarkable chapter upon Agriculture the details of the period when, under the action of intense demand, one hundred and thirty-three inclosure bills were passed in a single year, will find it hard to imagine how a state of things exactly opposite to that which then existed is likely to bring about similar results.

Transfer of Local Taxation.

More reasonable would be the notion of encouraging the farmer to exert himself by lightening the load upon his shoulders, if it were possible to give him any relief in this way which would really make the burthen lighter. But, upon any large view of financial policy, nothing of the kind is possible; nor is there any one principle more objectionable in itself, than the transfer of charges properly local to a central fund. No local institution has life in it, which does not involve the receipt and disbursement of money by parties under full responsibility. Local taxation, therefore, is an essential part of that whole system of local self-government, which is the grand conservative principle of English liberty. But further, when the local taxation of England is examined, it must be quite evident that no remission of it would be more than a temporary benefit to the farmer. The farmers, indeed, will take a temporary benefit rather than have nothing; but suffering as they are, and entitled as they may be, to substantial relief, if it can be afforded, no statesman has a right to evade an immediate difficulty by a procedure which, as a permanent measure, will not bear examination. Tithes and the bulk of the local rates are distinctly a deduction from rent. If they had never existed, the present rents would have been by so much more. If they were removed, the

additional margin of profit might for a time, or during the currency of leases, be left to the farmers; but the rise of the tide after it goes back is not more certain than that rent would ultimately absorb that margin. Of course, if such removal of taxation only prevented a *fall* of rent, it comes to exactly the same thing. The remission would still be a remission not to the farmer, but to the landlord. No transfer of taxation, therefore, even if it were just, would afford to the agricultural interest that healthful stimulus which it requires. At best it would be a slight and temporary relief. But its chief operation would be delusive, wasteful, and, seeing the difficulty of maintaining a sufficient amount of general revenue, even for purposes of supreme national concern, in the last degree impolitic.

None of these prescriptions being admissible, and the old stimulant of protection being by general consent not only rejected, but recognised as itself the cause of that industrial prostration which constitutes the malady to be dealt with, the case of the farmers, or at least of the less skilful, wealthy, and enterprising section of the class, would seem rather desperate.

Transfer of Land to New Hands.

There are some reasoners, however, by whom the difficulty is disposed of in a short and decisive manner. They are of that class of thinkers, who are always philosophical upon the misfortunes of their neighbours, and generally very ingenious in fitting such painful facts into some neat theory of social progress and prosperity. Their view may be expressed in some such language as the following:—"The poorer and more ignorant farmers are incorrigible. They are altogether behind the age, too old to adopt new ways, too besotted with protectionist prejudices ever to understand the exigencies of free trade. To talk to them of improved agriculture, drainage, guano, and all that sort of thing, is waste of breath, a mere casting of pearls before swine. There is nothing for them but

to go and make room for others. They must go to America, or Australia, or wherever they can; but at all events *go*, and leave the land to enlightened capitalists, who are up to the newest modes of husbandry, will double the produce, pay higher rents, and compete with all the world."

My impression is, that if there were nothing to be thought of but the best means of raising the largest aggregate produce, this reasoning is completely to the point. This *is* the way in which the thing could be most effectually done. But an addition to the aggregate of produce obtained by any considerable displacement of the existing occupiers, and by the substitution of new men who would carry into agriculture the desperate energy of those who, in Manchester language, are known as "outsiders," would be, though in itself a good, yet a good purchased at a very heavy price.

Effects of regarding only the Amount of Produce.

The Romans, whose resemblance to the English has been so often noticed, had all the English fondness for agriculture, and that prejudice which is not yet quite gone in England, that the cultivation of the land is the only kind of industry which does not soil the hands of a gentleman. In the early days of the republic, commanders and statesmen held the plough, and in the later the most original production of the literary genius of Rome was a poem upon agriculture. When, however, it happened that wealth began to flow in with a full tide, and the original severe and simple manners were succeeded by a universal fashion of refined and luxurious indulgence, the old love of agriculture for its own sake gradually disappeared, and the land came to be looked upon in the barest utilitarian light as an instrument for the production of wealth. Under the influence of this dominant principle, the original mode of occupation by what may be called a class of yeomanry gradually declined. The occupants died off or went into the towns.

Small farms ran together into large ones, and the greater part of Italy was brought under a species of wholesale capitalist cultivation. The chief element of that capital, indeed, was not live stock, nor manures, nor machines, but *slaves*, who were then capital precisely as draught cattle are at the present day; but the one characteristic of the system was, that it was adopted with the sole view of obtaining from the land the largest return, and as those who adopted it were quite free to change it, but did not, the inference is fair, that for a time at least it was successful. Wealth increased, the splendour of the nobility was carried to the highest point, and yet all the while the foundation of the social fabric was rapidly hastening to decay.

Duties of Landlords.

It may seem needless, and one may hope it is, to suggest even a caution to the landowners of England against the temptations which will certainly present themselves, to displace tenantry who have suffered from recent reverses. It is not just that the great experiment of free trade should be carried out at the expense of the farmers. Its hardships are the direct consequence of former gains, of which landlords had always the lion's share, and now that loss is to be borne, landlords ought to take their part in it. As yet they have not done so. The Chancellor of the Exchequer has just announced that the income-tax assessment shows a reduction of five millions sterling in the rental of land in England, that is to say, about ten per cent. upon the whole. But ten per cent. upon the rental is a very inadequate proportion of the loss which the occupiers have suffered. If they are not to be sacrificed, reduction, at least for a time, must be carried further.

Under any circumstances, the owners of land ought *not* to be considered, by an enlightened public opinion, free to think only of making the most of their land. They ought to be held bound to make the best of it, and *at the same time of the people who are upon it*. The severing of old social ties is a

great evil, and one now more than ever likely to be productive of other evils spreading out beyond our immediate view. The object, therefore, whether of landlord or statesman, should now be, not to get conveniently rid of these backward agriculturists, but to see how their prejudices can be overcome—how their rude and imperfect system can be improved—and, above all, helpless and poverty-stricken as so many are by repeated losses, to see whether their greatest want can be supplied—the want of CAPITAL.

Note upon Agricultural Labourers.

A question even more important than that respecting the condition of the farmers—namely, the question respecting the condition of the agricultural labourers—is too large to be entered into here; but the policy which would be good for the farmers, would also be good for the other more numerous, and therefore more important, portion of the rural population, by increasing the demand for labour. The evidence appears to be decisive that the labourers have gained greatly by free trade in corn, and the breathing time thus given may be invaluable if it be rightly used. But it will be a fatal mistake to suppose that free trade can either make or keep that condition what it ought to be. Their dwellings, their education, and their want of amusements are all disgraceful, and in no one of these respects are they able to help themselves. My belief, founded on information drawn from various sources, is, that the dark and appalling picture of the condition of the peasantry, which is given by the author of "Yeast," is in the main true, and I honour that powerful writer for not fearing to speak out. His delineation, terrible as it is, is indeed not more so than the plain facts stated from time to time by the Rev. S. G. Osborne, another true champion of those whose friends are few, and the testimonies of such men ought to sound like a trumpet in the ears of the English gentry, and awaken them to the fact that they know little of what is going on in the cottages and the beer-shops.

With respect to reforms, a change in the law of settlement seems to have become a matter of necessity, but it will not be without great hardships. Those hardships might be mitigated, and other good results attained, by a judicious system of allotments, in opposition to which I think Mr. Mill lays too much stress on the population dogma. But here one comes again upon the great truth, that a mere mechanical change is of little use. Allotments, with good superintendence, have worked admirably, but in other cases, where every lug of land is let by a hard battle between landlord and labourer, allotments only become a part of the general machinery for grinding the latter to the earth. In a word, whatever *Laisser-faire* may say, the English gentry *are* the keepers of these poor brethren of theirs, and will one day be called upon to show how they have discharged the trust.

CHAPTER IV.

Agricultural Loans.

> "I bring fresh showers to the thirsting flowers
> From the seas and the streams."—Song of the Cloud.

Loans warranted by the Excess of Capital.

There is scarcely any proposition upon which there is a more general agreement amongst enlightened men, than that there is immense room for the investment of new capital in agriculture, and that, with proper management, there is no other kind of industry in which there would be so great a certainty of a profitable return.

If the explanations given in the first part of the present work, relative to the growth of capital in England, be correct, it will appear that the habitual condition of this country is that of having a large portion of capital seeking for, and unable to find, investment; that this is pre-eminently the case at the present moment, and likely to continue so, until some outburst of disastrous and demoralizing speculation carries off the excess for a time. *If the explanations in question have been found by any reader to be erroneous, he may at once dismiss the present chapter as unworthy of his attention.*

The principle laid down by those economists whose reputation stands highest is, that new capital creates a demand for itself; that it is a confusion of ideas to imagine the possibility of such capital being accumulated in excess; that new savings can and do regularly find employment, and, owing to the acute perceptions of private interest, *that* employment which yields the best return. This is what is held as the orthodox doctrine

of political economy. If it be true, then the proposition I am about to make may be at once set aside as the dream of a projector, or the crotchet of a lunatic. But if any reader has followed the reasonings of the first part, and is convinced that the links of the chain are all sound, and has, too, a better ground of assurance, from knowing that the conclusion is fortified by the facts of every day and every hour, then, to him the proposition may be presented as worthy of the most serious consideration. It may be stated in the following form :—

There is at present, and there is likely to be, a large amount of capital disposable for permanent investment.

This capital could not be invested in any way with so great benefit to the whole community, as in an improved cultivation of the soil.

Those occupiers who now want capital most are not likely, through any private effort or bargain, to obtain the use of what is thus offered for permanent investment.

Government, by means of its perfect credit, might intervene, and, without loss to the public, bring capital not only for drainage, but for general agricultural purposes, within reach of those cultivators.

It might do so by borrowing, say ten millions sterling, which it could do at three per cent., and advancing the money upon security, with a condition of repayment by twenty-two equal annual instalments, as under the Drainage Act, including both principal and interest.

The money might be advanced to small proprietors cultivating their own land, who are still numerous; to farmers who had or might obtain such leases as would constitute a good security; and to others with or without leases, whose landlords would consent to make the land liable for the payment of the annuity [1].

[1] If this book should attract any notice, there will, no doubt, be critics ready at once to set down this scheme as a mere repetition of Mr. Disraeli's "Cheap Capital for the Farmers." I must give them the advantage of acknowledging that, when that suggestion was first made, I thought it absurd and unworthy of serious atten-

If advances to the amount named were taken out on good security, there is no reason why a second loan of the same amount should not be applied in the same way.

Farmers cannot obtain Capital for themselves.

The first and second propositions need no further enforcement, nor is it necessary to spend many words in showing that those occupiers who now most want capital are not likely to obtain it through any of the facilities existing in the money market.

The ordinary economical notion of capital is of something flowing by an irresistible impulse into every nook and corner in which more than the ordinary rate of profit can be obtained. Capital, it is said, has wings, and flies with ease over all fetters and obstructions to that precise spot in which it will obtain the best return. Hence, the assertion that a particular employment, towards which new capital is not actually moving, *might* be turned to great account, is always received by the political economist either with suspicion, or, as commonly happens, with unqualified denial. However fair appearances may be, there is deception somewhere. He is sure that such a thing cannot exist, and therefore that it *does* not. This maxim, like so many others, is true within certain limits, but very far from true beyond those limits. It is true in commerce, and the observations on which the maxim was founded had reference mainly to what takes place in commerce. The nature of most commercial operations is, to bring in quick

tion. I had then sufficient faith in the reigning economical system, to believe that any meddling of the Government with the disposition of capital must be a folly. Having come, however, to the clearest conviction that the dogma of the economists respecting capital is false, I cannot adhere to any argument which was built upon it. I may add that, from the address of the Chancellor of the Exchequer which has just appeared, there is every reason to believe that he feels unable to persevere with his project of supplying capital to the farmers. He presents to the electors of Bucks nothing but the old chopped straw of changes in taxation, from which they will certainly derive no nutriment.

returns; and where, as in the foreign trade, the returns are not speedy, it yet happens that, the several operations being continuous, and going on in different stages at the same time, there is something like a continuous influx of returns; so that the merchant or trader has his capital at command in a way unknown to him whose returns come in only once in a year, and at one particular season. Hence, a merchant or trader can make use of much capital *borrowed on short loans*, and has great facility in enlarging or diminishing the amount of such borrowed capital. Capital of this kind, it has been seen, is that which is distributed by bankers, and the nicety and rapidity with which they can apportion their supplies to the wants of different branches of trade have, no doubt, contributed much to the notion of capital invariably rushing to every profitable investment.

It is further to be observed, that in commerce the return brings back the whole outlay; but in any industrial operation which involves the creation of fixed capital, the return, even when successful, is only an annual profit, out of which, by the time that the fixed capital is worn out, the original outlay may be expected to be replaced. But for any purpose of this kind the capital lent by bankers is not available. When capital is wanted on loan, for the purpose of being *sunk*, as the phrase is, or as a long investment, it is far less easily obtained. There must be lawyers, and bonds, and formalities, which, combined with a pretty high rate of interest, render the whole operation slow and unadvisable in the greater number of enterprises, except in those cases in which a wealthy body, like a railway company, takes up a large sum at once upon bonds, which are almost as negociable in the market as those of the Government.

Prosperous Trades create their own New Capital.

It is, however, a fact, that new investments do annually take place by *sinking* capital in various branches of industry.

Manufacturers put up new machinery, merchants and traders erect new warehouses or new shop-fronts, the latter often very expensive, ship-owners (in spite of free trade) build new ships, and omnibus proprietors start new carriages, and in every such case new capital is sunk. This is a point of great practical importance. Now, as a general rule, it will be found that new capital sunk in any particular business has been saved from income made in that business. Hence most of the new investments are those of persons investing their *own* capital. A prosperous trader or manufacturer cannot invest his surplus capital to so much advantage in any other way as in his own business. It thus happens that prosperous branches of industry do, for the most part, themselves *generate the capital by which they are extended.*

From this will be seen the peculiar difficulty which now obstructs the application of new capital to agriculture. During the last war, the immense returns which were obtained enabled the farmers to go on, year after year, investing their own savings in the land. This was the secret of the rapid extension which then took place. The employment generated new capital for itself, as manufactures are doing at this moment in Lancashire; and the men and the money being together, without cumbrous and costly formalities, new enterprise was easy. But no one can suppose that agriculture has of late years generated new capital. The most prosperous farmers could not have been able to do much more than hold their ground, and for the great majority, their actual capital must have been diminished since 1846, unless we are to suppose that their industry in previous years was as profitable as coining. Farmers, then, have no new capital of their own to apply in those various modes of improved cultivation which, according to the most competent judges, would be certainly remunerative. To tell them that the money market is open to them, is to mock them. The means of helping them are indeed there, but if those means are to wait until the farmers are able to satisfy the capitalists as to security, rate of interest, and mode of

repayment, they will wait for ever. Such capital, as has been already said, may get to the land in the hands of new men, but only by a process which will tear up and cast adrift a much larger number of the old occupiers to wander through the world with broken fortunes and broken hearts.

Use of Government Intervention.

The farmers, then, will not obtain the aid of the capital now disposable without artificial intervention; but by the aid of the Government the thing could be done. The power of the Government to borrow at a lower rate of interest than any other borrower is undoubted. Equally obvious is the facility which it would have, operating upon a large scale, in taking repayment of capital and interest by equal annual instalments; and, at the same time, in paying the original capitalists by a different and more acceptable method. Capitalists may object to take for the repayment of their loans, an annuity for a series of years. A farmer who borrows money to invest in drainage, manures, or machines, cannot fairly expect to be able to pay *except* by this method of equal annual instalments. The principal does not come back to him, as it does to a merchant, in a lump, and he can only repay it out of the returns which he receives; but the intervention of the Government, with the aid of an actuary and a few clerks, would remove the whole of this difficulty.

Objections.

Two objections may be taken to Government loans for agriculture, and I cannot imagine any others. It may be said—

1. That the offer of the money would not be accepted by the farmers.
2. That the money would be taken and would not be repaid.

As to the first, it is soon disposed of. If the proffered loans

were not accepted, there would be no harm done. The Government need not go into the money market until it was assured that its going there would be of some use.

Agricultural Loans would be repaid.

But the loans most assuredly would be accepted to a very large extent, and would create more energy and rejoicing throughout the rural districts, especially of western and southern England, than any other measure. The one question worth discussion is, whether they would or would not be repaid? If they would certainly be repaid, I can scarcely conceive even the most prejudiced adherent of the principle of leaving industry to itself still maintaining, in the present circumstances of England, that such loans would be a mischief. Increased supplies of food grown at home, increased demand for all domestic products, and the reinvigoration of a branch of industry economically the most important of all, and affording at the present time a most valuable counterpoise to the dangerous spirit of speculation—these results would accompany the repayment of the loans, and justify them against all cavils. But *would* the loans be repaid? Why should they not? There has not been a murmur of suspicion respecting the repayments under the Drainage Acts. Those come in regularly; and even from Ireland, where the repayment of the funds spent during the famine in soup distributions and on stone-breaking has been objected to, there has not been a syllable of objection, nor, so far as I know, the least backwardness about repaying the instalments of what was advanced to private persons for the improvement of the land. But what security could the farmers give? Without long leases, none that would be satisfactory. It would, however, be no unimportant object to create a new motive for the granting of leases. But, leases or no leases, why should not the security be good if the landlord joins in it? And why should he not join in it? With an offer of capital at three and a half or three and a quarter per cent., upon a

cheap and simple bond, and upon the most convenient terms of repayment, what landlord, who had the least confidence in his tenantry, would hesitate to place within their reach, *in the only way in which the thing can be done*, those means of improved cultivation, from which he himself must ultimately reap so much benefit? He might, of course, make his own terms with the tenant; and the latter might be very well able to satisfy his landlord, who knows him, as to security, when he could not satisfy the Government, and still less a money-lender. The offer of the funds by the Government, on the condition of good security, would clear away a host of difficulties. A very energetic landlord might, indeed, at somewhat greater cost, do what is here proposed without the intervention of the Government; but for one who would go thus far out of his way, a hundred would be willing to enter into the terms, if the capital were brought home to their own doors.

As to the use that might be made of capital thus placed at the disposal of farmers, there is no need to repeat what has been said by so many high authorities. That an immense amount of new capital might be employed in agriculture was the opinion of Sir Robert Peel, and has been strongly expressed both by Sir James Graham and the present Prime Minister. We have the two things, both the capital and the field of employment, but they stand apart, and, whatever political economy may assume, the chasm between them is not one that private interest will bridge over. No; the capital, if left to itself, will go to bruise quartz rock in California, or possibly to construct railways in the Celestial Empire, rather than to drain cold clays on the banks of the Thames, or to quicken the languor of the vale of Taunton. Thus, then, stands the case; one surely having a fair claim to be judged upon its own merits, and not to be *pre*judged by reference to a maxim which rests upon no scientific basis whatever, and which has been again and again overborne in practical legislation by the common sense of the community.

CHAPTER V.

Loans for Colonization and Emigration.

"It is to the emigration of English capital that we have chiefly to look for keeping up a supply of cheap food and cheap materials of clothing proportional to the increase of our population; thus enabling an increasing capital to find employment in the country, without reduction in profit, in producing manufactured articles with which to pay for this supply of raw produce. Thus the exportation of capital is an agent of great efficacy in extending the field of employment for that which remains; and it may be said truly that, up to a certain point, the more capital we send away, the more we shall possess and be able to retain at home." J. S. Mill.

Principle of Loans applies to other Cases.

It will no doubt be thought that the proposal of a ten-million loan to the farmers is startling enough in itself, without the accompaniment of loans for any other purpose, and that if the former is to have any chance of being listened to, it would be better to let it stand alone. But I have no right to shrink, and I do not shrink, from the consequences of the position here maintained. The main ground on which the propriety of agricultural loans is justified, does warrant a wider application of the same principle. It *may* from time to time be a most important duty of Government *not* to *enforce*, but to *encourage* and facilitate a better application of capital than that to which private interest, if left wholly to itself, would lead. Mr. Mill, after laying down the old doctrine respecting the increase of capital in which an over production of commodities is treated, as if it were identical with an excess of money capital, says, "The point is fundamental; any difference of opinion on it involves radically different conceptions of political economy, *especially in its practical aspect.*"

I perfectly agree in this, and accept the consequences. Having, therefore, the clearest conviction that Mr. Mill's doctrine, when applied to money-capital, by which the changes in all other capital are regulated, is erroneous—believing no fact to be more certain than the tendency of money-capital to accumulate in excess, until it is temporarily destroyed,—I draw the general practical conclusion, that it may become a legitimate function of the Government, when circumstances present a strong case for interference, to favour the direction of that capital to channels into which unaided private interest would not cause it to flow.

Misdirection of Capital in 1845.

The supposed infallibility of private interest in finding out the best application of new capital, is a conclusion which, within a comparatively recent period, received most conspicuous contradiction. The shopkeeper is no doubt the best judge as to whether it is prudent to lay in another hundred pounds' worth of goods; and the merchant, however liable to err, knows, at least better than any minister of State, how far it is prudent to order sugar from the Brazils, or send cottons to Calcutta; but it is quite untrue that the non-trading classes, who are the chief accumulators of disposable capital, are good judges; or, indeed, that they are not the very worst judges of the safety of the investments by which they are so often tempted. For such persons, who want an income without trouble, there is no safe investment, except government securities, or the bonds and debentures (not shares) of great joint-stock companies. What *can* they know of the merits of a mining scheme in America or Australia, or of a railway project, whether foreign or domestic? For answer, it is enough to refer to the year 1845. What could be more wild and extravagant than the miscalculations of that year? What more frantic than the waste, the sheer waste of capital which then took place—the waste upon surveys which came to nothing and upon bills which were abandoned, or passed and not acted

upon—the waste by transfer to landlords who often mistook such windfalls for the first-fruits of a harvest which was to last for ever, and dissipated them accordingly—the waste by double prices paid for all kinds of materials and services, and which were taken out by nearly the whole class of navigators in intoxicating drinks, or the mere whims and fancies of animal indulgence? Thousands of families are still pinched by the losses of that year, but the loss of capital was the least of the disorders then produced. There was an incredible amount of mis-direction given to the education of the young, from which results more lasting evil. Numbers of young men were during the railway excitement placed suddenly in the possession of high salaries, which produced absurdly false expectations in themselves and in their connections. They contracted habits of expense, of which they soon experienced the bitter fruits. Meanwhile, youths destined for commerce and other professions were hastily converted into engineers; and many of those young men, able and highly educated, are now working, and glad to get work, in various engineering establishments at the wages of mechanics.

It is no extravagant proposition to say, that an intelligent Government, free from speculative passions, might have given a safer direction to that last great outflow of capital, than that which was given by the blind and ignorant impulses under which it actually took place. It does, therefore, seem to me a practical conclusion, abundantly sustained by all that is known of the working of our monetary system, that not only in the particular case of agriculture, but in others likely to present themselves from time to time, it may become advisable for the Government to promote the movement of spare capital into channels into which, of its own accord, it would either not flow at all, or only to a very slight extent.

I will proceed to state two cases in which the Government might borrow capital, and lend it out on unexceptionable security, with immense advantage to all classes. The first is for

purposes of colonization and emigration, the second for the improvement of towns.

Wakefield and Buller on Colonization.

Upon the general principles of colonization, I could say nothing except what I have learnt from the writings of Mr. Gibbon Wakefield, and the speeches of Charles Buller. Alas! that name—how can I write it without a thrill of painful recollection? What great hopes, not only for the colonies, but for England, were buried in that untimely grave! Nothing shows more strongly the essential truth of Mr. Carlyle's censures on our legislative and administrative system, than the fact that a man like Charles Buller, with intellect enough for half a Cabinet, should pass through nearly twenty years of public life without ever sitting at a council table. By such a man the office of Judge Advocate could scarcely have been accepted without some feeling of humiliation. For him the opportunity of real work had only begun just before he was called away. Yet it must be acknowledged as characteristic of these "latter days," that he with his eminently attractive personal qualities could not wholly escape the enervating influence of that spirit of society which wages such deadly war with all severe and sustained labour. The strong man was condemned, whether he would or no, to hold the distaff, but he sometimes did it with too little reluctance.

Colonization by the English Aristocracy.

But who that has ever read—and, above all, who that heard—that masterly speech on colonization, which for the time merged all party enmities in one common sentiment of admiration, can doubt that its principles might be acted upon with success if only a mind like that which made the speech were appointed with full powers to carry out the plan? Colonization may be one of the lost arts, but if it be so, the loss is in our lethargic and self-indulgent habits, not in our intelligence. No

one can study that speech, or the writings of Mr. Wakefield, from whose mind the materials were drawn, and feel still in the dark as to what it was that made the ancient Greek colonies in Italy and Asia Minor so successful. The Greeks only did from instinct and intuition what Mr. Wakefield has proposed to effect with a reflective perception of the cause, by a most felicitous application of the modern relations of capital and labour. Mr. Carlyle, however, whose thought always penetrates below the economical foundations, is still right in maintaining that the cool cash-payment calculation will not of itself ever do the work of the ancient heroism. But in England the honours at the disposal of the Crown have still power to accomplish much that cannot be accomplished by money. If successful leadership in colonial enterprises came to be regarded as a better title to peerages and blue ribands than such diplomatic exploits as are wont to be performed in the saloons of Berlin and Vienna, there would still be room for hope that the glories of the Ionic cities might be outdone, and that the English aristocracy, now wasting its high culture and still unbroken energies in aimless and unsatisfying pursuits, would yet become the architects of a great colonial civilization, richer and more fruitful in benefit to man than any social achievement of the ancient world. The Canterbury settlement, considered merely as a private effort, must be regarded with admiration and sympathy, in spite of a theological basis too artificial to bear the strain of any severe trial when it comes to clash with material interests. But the success of any such private undertaking, with the old dispersion and disorganization on every side of it, must at best be doubtful. It is somewhat like the attempt to create a Madeira climate for tender lungs in an English locality. Sooner or later the ever vigilant east winds find out weak points, and at length come with full force sweeping through the enclosure.

The application of Mr. Wakefield's principles would require, in the first instance, some advance of money, although the character of the scheme is essentially self-supporting; but it may be

said, not only for the reasons already urged, but with the additional weight of Mr. Mill's authority, that no advance of money could be made with a greater certainty of yielding a return, both directly, and still more largely in its indirect influence on the condition and industry of the home population. The object of the present chapter, however, is not so much to enforce the general principles of colonization, as to urge the specific necessity which exists for expediting emigration to Australia, in order to save from ruin the most important interest in the whole circle of colonial industry.

Supply of Wool from Australia.

The staple production of the Australian colonies is WOOL, the very same which was in former days the staple production of England herself. What England was during the middle ages to Flanders, Australia is now to England; but neither England nor any other country ever showed a more rapid development of industry than that which appears to have taken place in this department of colonial production. Here are, in round numbers, the exports of wool from New South Wales since 1827, taking only every fourth year[1].

	lbs.
1827	407,000
1831	1,401,000
1835	3,893,000
1839	7,213,000
1843	12,704,000
1847	23,379,000[2]

The vast supply of wool which is thus sent to us comes from innumerable flocks of sheep, whose pastures stretch out over a tract of land much larger than Great Britain. Exposed to long seasons of drought, often succeeded by floods,

[1] Danson's "Commercial Progress of the Colonial Dependencies of the United Kingdom."

[2] I cannot state exactly the exports from New South Wales for 1851, but believe them to have been nearly 50 per cent. greater than those of 1847. The fol-

and scattered over a country full of dense forests and dangerous rocky gullies, those flocks would soon perish without human care. Hitherto they have been tended, probably by a smaller number of guardians than were ever before found sufficient for so great a task. Neither on the great table-land of Spain, nor the plains of North Germany, nor in the boundless pastures of Asia, are there to be met with examples of life so solitary as that of the shepherds at many of the out-stations in Australia. Months roll by without seeing the face of a stranger, and still from year to year new and more distant "runs" have been sought out and occupied, and the ever-multiplying swarms of sheep and cattle are rolling inwards over the surface of a continent almost equal in size to Europe itself. It is by such means that the astonishing increase has taken place in the exports of wool; but now, all at once, an event has occurred which threatens that hard-won and prodigious mass of wealth with nothing less than absolute destruction.

Effects of the New Gold in Australia.

The discovery—if the limited human mind dared to pronounce upon the ordinations of the All-Wise, one might say the *unfortunate* discovery—of gold in Australia, seems likely to tear asunder the whole of that industrial organization which has been so rapidly gaining magnitude and strength during the last quarter of a century. The magnetic mountain did not more certainly draw the nails out of the ship of Sinbad the

lowing is a statement given not in *pounds* as above, but in *bales*, of our *imports* of wool from all the Australian colonies since 1847:—

	Bales.
1847	94,292
1848	110,941
1849	125,732
1850	138,679
1851	144,320

In the last year, 1851, Australia sent nearly *one-half* of all the wool imported into England, the gross imports from all countries together having been 307,085 bales.

Sailor, than the gold-mines will draw away those shepherds from their lonely huts, where they are in effect the nails and rivets that hold together the whole pastoral system of Australia. If the stations be once deserted, it will not require many months to effect the irrecoverable dispersion or destruction of the flocks; the half-famished aborigines, one of the most wretched families of the human race, being always at hand to seize any opportunity of adding to their scanty supplies of food, and wholly incapable of preserving what they may acquire, for the wants of a distant time. Meanwhile, the production of gold instead of wool, while it will be a doubtful advantage to the gold-finders, will be a certain loss to the majority of mankind; for its effect must mainly be to cause a new distribution of all the other products of human labour in favour of the discoverers. Neither they nor any others want the gold for its own sake, but only as a means of procuring commodities; and though the new demand will, of course, stimulate and increase production, its chief effect must be to disorder the industrial relations already in existence. Here, then, is a state of things pre-eminently calling for the interference of a Government, if Government can interfere to any useful purpose. It must be admitted, however, that there never was a case which appeared to present greater difficulties.

Probable Effects of Emigration.

Even to maintain order amongst the excited hordes who will be drawn together at the diggings, may prove a matter of enormous difficulty; but to make any provision for the care of flocks and herds, where every new set of guardians will come under the same temptations to forsake them, seems a task almost beyond any power that belongs to a Government. It has been suggested, however, and the suggestion is of great practical importance, that all men are not equally fitted for the gold-mines. Gold-finding, in fact, both in California and Australia, requires much of that intense labour and power of endurance which seems to be peculiar, not merely to the English race, but to

that peculiar class, the members of which, as navigators, have been taken even to the Continent at high wages, from their superiority to other unskilled workmen. The less energetic adventurers, therefore, it may be presumed, will gradually be driven away from the mines; and if the current of emigration now setting strongly to Australia be aided as far as possible by the Government—the shepherd class especially, who are not accustomed to the hardest labour, being encouraged to go out—it is no unreasonable expectation that considerable numbers would soon be found glad to undertake and adhere to the old pastoral employments. One strong recommendation of this scheme is, that in any case it must tend to correct at the earliest moment the disturbances produced by the gold discoveries in the whole of Australian society. The capacity of the gold-mines must be, as it were, saturated, that is to say, the openings which they offer must be filled up, before other branches of industry have a chance of attention. If the present state of things continues long, the whole social fabric, not merely in New South Wales and Port Philip, but in Van Diemen's Land, and even in New Zealand, will be dislocated and pulled to pieces.

Importance of the Supply of Wool.

The evils with which the colonies are threatened are very great, and those which must result to our own manufactures will scarcely be less great. Upon the latter ground alone, that is to say, with a view to the security of our regular supply of that material which is second in importance to cotton only, the largest advances that might be made by the Government in promoting emigration would be a judicious investment, even if repayment could not be secured, as it might easily be, out of colonial resources. To multitudes of the manufacturing population wool is as necessary as bread. Without the wool there is no way of getting the bread. The foreign grain would become a mockery to spinners, carders, and weavers who, for want of materials, were standing in compulsory and hungry inaction. It must be remembered that the evil of a short sup-

ply of wool is not represented by the mere rise of price. The effects of that rise must be traced. It instantly checks demand at home and abroad; and manufacturers, in such cases being always more or less uncertain as to the future, become anxious to contract their operations, which means to diminish employment, and stop, to numbers of families, the daily supplies of food. That a Government, with any power to avert so great a calamity as a short supply of material to a great branch of industry, should look passively on and see the mischief take place, out of respect for the economical dogma of leaving things to themselves, would be a pedantry as imbecile and ridiculous as that of the physician who would not use a lancet to save the life of a man in a fit because he was not qualified to practise as a surgeon.

Supply of Cotton.

One thing is very clear, and that is, that the Manchester Chamber of Commerce would *not* be guilty of any such pedantry. It was in no such spirit that they sent Mr. Mackay[1] to India. That most judicious mission was no doubt intended to lead, and probably will yet lead, to the pressure upon the Government of India of measures calculated to extend largely the growth of cotton in that country. It may be safely said, that, at this moment, there is no object of greater national importance. The supply of cotton, which is scarcely less needful than the supply of corn, depends upon the regularity both of industry and the seasons in one region of the globe in which the social system is so violently at war with all the tendencies of modern civilization, that no man acquainted with history can put faith in its permanency. It may or may not last out a generation; but no one can tell what impulses are obscurely working in the minds of that vast slave-population which thrives and multiplies, while the white man is daily losing both the

[1] I cannot pass the name of Alexander Mackay without expressing the sorrow with which I heard of the loss of an old friend and fellow journalist, who was every way likely to fulfil, in public life, the expectations created by a youth of great promise.

bodily and mental energy which originally gave him the mastery. In the beginning of the year 1789, the island of St. Domingo was in profound tranquillity. No cotton plantation in the United States is at this day more prosperous or better organized than were then the sugar estates of the French and Spanish proprietors. No European merchant had the faintest suspicion that the wealthiest of all the West Indian colonies was about to discontinue its supplies to the markets of the world, and yet in a few months a negro population, animated by the genius of an unexpected native champion, broke the yoke which seemed likely to endure for ever, and the ruling class awoke at the same moment to the sense of their danger and to the knowledge that their ruin was complete. If by any chance a Toussaint L'Ouverture should make his appearance in Alabama or Carolina, and, as is always the case with such men, take the world by surprise, where would Manchester turn herself for a new supply of cotton? She certainly would not at such a time pay much attention to a counsellor who should proceed to grind the old barrel-organ tune of expecting the best from leaving things to themselves. On the contrary, the simplest, surest, most potent instrumentality of opening up new sources of supply is that to which every man would look; and if any conceivable interference of the Government in India, consistent with justice to the Hindoos, can develope the magnificent resources of that region for the cultivation which is required, Manchester will deserve to *want* cotton if she does not strain every nerve to enforce and compel such interference.

In these cases, as in the case of agriculture, opportunities may present themselves for action on the part of that body which represents the collective will of society. No rule but that of general utility can be laid down to settle where they should interfere and where they should not. Each case as it arises ought to be determined wholly upon its own merits, and in total disregard of a theory as narrow and empirical as any which has ever caused facts to be distorted or important interests to be neglected.

CHAPTER VI.

Loans for the Improvement of Towns.

"Meanwhile, at social industry's command,
How quick, how vast an increase! From the germ
Of some poor hamlet, rapidly produced,
Here a huge town, continuous and compact,
Hiding the face of earth for leagues; and there,
Where not a habitation stood before,
Abodes of men irregularly massed
Like trees in forests,—spread through spacious tracts,
O'er which the smoke of unremitting fires
Hangs permanent, and plentiful as wreaths
Of vapour glittering in the morning sun."—Wordsworth.

A Town Life the future Life of England.

One of the governing facts in our social condition is, that all the increase of the population flows into the towns. For many years the rural population has not increased, and whatever may be done to favour the direction of labour to the land, it is not likely permanently to employ a greater number than at present. The great majority of the people of Great Britain already live in towns, and in towns it seems to be the destiny of succeeding multitudes to spend their existence. A town life, then, is already, for the most part, and in the future time will still more be, the life of the people of England. It is well that we should study the circumstances of that life, and see how far they are, or can be made, consistent with the highest ends for which man exists.

The general characteristic of a town life is *crowding*, or the collection of men in masses; and the first conspicuous effect of such aggregation is the peculiar stimulus which it gives to

all the powers of the mind. Whether it be for good or for evil, our whole life is rendered deeper and more intense by social intercourse. As "Iron sharpeneth iron, so a man sharpeneth the countenance of his friend." Indeed, so far as we know, society is a condition indispensable for the deliverance of man from the most torpid brutality, and therefore, in its highest forms of development, must approach nearest to that "natural state" which imaginative writers, like Rousseau, suppose to have been left behind us in the primitive forests. It accords with this, that cities have played the chief part in the progress of civilization[1]. In the ancient world, Athens was the radiant centre of intellectual light, not for Greece only, but for the world. At a later period, the greatest moral influence known to man was first felt in the most crowded communities. Antioch, Ephesus, Corinth, Rome, not to speak of Jerusalem, was each in its turn a cradle of the Christian faith, and from each of those points of concentration the healing and regenerating spirit was carried abroad to all who could receive it. In modern times the same fact presents itself. Whatever noblest enterprise be undertaken, whether for freedom or philanthropy, for preaching the gospel to the heathen or for lifting that pall of ignorance which hangs with such gloom over the population at home, the cities in every case still form the basis of operations. There, if anywhere, the needful intelligence, energy, and self-sacrifice, are to be found. Amidst the life of towns, then, will be the great duties of the coming time; and whatever evils attend such life, our business is to look them fully in the face and struggle with them as best we may.

Evils of a Town Life.

But it is not to be denied that the evils *are* enormous. If towns give us the highest view of man's range of moral attainment, so do they open up the deepest abysses of human

[1] See Dr. Vaughan's "Age of Great Cities."

degradation. There is no reason to suppose that the intensity of moral evil in cities is less than it ever was, although the limits and influence of practical Christianity may be continually widening. Evil can and does acquire concentrated strength as well as Good. In modern times there have been very great external changes, the work of the scavenger, the painter, and the policeman, by which evil has been not so much removed as placed out of sight. We have not only whitened the sepulchre, but encrusted it with marble, and not a few ostentatious inscriptions; but it still contains the rottenness and the dead men's bones.

Two sets of circumstances produce the evils of towns; those which may be called moral, and those which are physical. Crowding developes not only the intellect, but the passions, so as to render vice, where it exists, early, contagious, and malignant, and therefore to demand moral correctives of proportionate force; but into this all-important subject the purpose in hand does not lead us. It requires only a reference to certain physical causes, which are continually operating upon the health, and through the health upon the morals, of all who live in towns. The majority of those persons who subsist, whether as artizans or as labourers, by the receipt of wages, are in many respects more favourably placed for the highest ends of life than that uneasy, struggling, shop-keeping class, which seems so much above them. They are free to live far less in show and more in reality. They are in constant contact with those rough stubborn facts of nature which, under their hands, are continually becoming smooth, and orderly, and beautiful. The work which they produce, or the services which they render, may be for a class too languidly luxurious to appreciate their worth; but the honest toil is not the less moral and bracing. The poor weaver, in the midst of his privations, sees the rich velvet spread out beneath his hands, not without a feeling of pride. The mason, the bricklayer, the carpenter, must have similar thoughts when, on the one leisure evening, they stroll through those long lines of sumptuous palaces which are the

creations of their industry. These and all other obscure workers, whose lives are not spent in the receipt and computation of money, but in tough obstinate conflict with difficulties, can never be forsaken by that sense of dignity and self-respect which are part of Nature's wages for all real toil. The existence of such men in all cases might, and in some cases does, exemplify that ideal of "plain living and high thinking" which the poet could only see in the past. We have it amongst us, though the cases are few; science and poetry and thought making noble and beautiful this common working life.

Healthy Habitations wanted.

But for any high attainments amongst the working class as a whole, some physical conditions are essential. These are included under the single head of healthy habitations. To give even a chance of making town life what it should be, it is needful that the dwellings should be clean—freed from the neighbourhood of all noxious deposits—well supplied with water—and sufficiently spacious and divided to allow of that privacy and decency which are essential to the growth of the domestic virtues. The labours of many admirable men[1] have brought us to a point at which we can say with confidence, first, that for the vast majority of the labouring population these conditions of a healthy moral life do not at present exist, and, secondly, that we have ample means at our disposal to create them.

It is not necessary to go into evidence with which the public is familiar of the necessity and practicability of drainage, water supply, and improved dwellings. These things may now be taken for granted. The crowding of men together generates physical poisons, far more destructive to life than the bloodiest wars, and yet such is the beautiful harmony of nature, that the

[1] Let me name, above all others, Dr. Southwood Smith, who many years ago had gone to the depths of this great sanitary question, and from whom in 1839 I first learned its immense import.

noxious deposits from which those poisons chiefly spring, if carried away to the country, would restore to the soil the richness and fertility which the food of the great towns withdraws from it. The obstacles to the establishment of this harmonious relation between town and country, and of all other conditions conducive to the welfare of crowded populations, are mainly financial, and to these the following remarks shall be confined.

Loans for Town Drainage and Water Supply.

Measures for the improvement of towns are of two classes: first, such as it is generally admitted must be carried out by some sort of corporate or collective authority; and secondly, those which are considered attainable either by private philanthropy, or through the enlightened self-interest of capitalists leading to industrial enterprises. Of the former kind are drainage, water supply, and the formation of town parks, and of the latter the erection of improved dwellings, with the auxiliary institutions of baths and wash-houses.

Drainage and water supply, so far as they involve any new work, are operations of that kind in which disposable capital is converted into income, and by which, therefore, the balance between the two, when it inclines to excess on the side of capital, may be most easily restored. Here then, upon the principles already laid down, is another mode in which the credit of the State might be used to give a beneficial direction to our present dangerous accumulation of capital. In drainage and water supply capital must be sunk, as in railways; but a full return might be obtained through rates, which would be in no way burthensome, if, like the agricultural drainage repayments, they were spread over a sufficient number of years. There would be no difficulty in effecting this through the central Government, which might borrow at the lowest interest, and would have it in its own power to make the security on which it might lend satisfactory. Without the intervention of the Government, the money, if it could be had at all, would be

obtained at a higher cost, and still greater difficulties would be experienced in settling the only method of repayment which does not involve hardship, nor give temptation to waste, namely, that of equal annual instalments. The operation as a whole would involve no loss. An eminently beneficial direction would be given to capital, which if not applied wisely will certainly be applied unwisely. A silent unostentatious benefit would be conferred on the great body of the working class. The periodical saturnalia of speculation might for once be passed over.

Loans for Improvement of Dwellings.

The formation of town parks may, perhaps, be included with drainage and water supply as a proper object for Government loans and corporate enterprise; but the proposition to extend the same principle to the erection of a superior class of dwellings for the working population will encounter the most stern opposition. *Laissez-faire*, smarting in its den under the pain of recent wounds, a little humiliated, and not a little savage, will growl and snarl, and grind its teeth at such stark-naked socialism. Nevertheless, the danger must be faced. The peril of our situation is deadly and imminent. Those who think they see any way of lessening it, must expect wo and self-condemnation, if they are deterred by the fear of personal consequences from giving the thought utterance.

It appears to me, then, that upon the principle and with the conditions already explained, loans might also be made by the Government to corporate bodies, for the erection of improved dwellings for the working classes.

It is sufficiently well known, that some dwellings of a superior order have been already erected by voluntary societies, and the immediate objects of those erections have been successfully secured. Clean, airy, and wholesome habitations have been provided for a certain number of persons, at an expense not

greater than what they paid for the close and fetid rooms in which they previously resided. The benefit is very highly appreciated by those who enjoy it. But it was never imagined by the originators of this plan, that they could do more than make a beginning of the great change which they saw to be so desirable. They hoped to be able to show, that those dwellings would furnish such a return to the capital invested in them, as would draw the all-powerful current of private enterprise into the same channel. There has been great and most valuable success, but there has not been this crowning triumph, and the difficulties in the way of reaching such a point are greater than were fully appreciated at the outset of the enterprise. In the first place, it was not to be expected that the most economical mode of erection would be hit upon, either in an experimental essay, or by a society of philanthropists. Steam-engines failed before they succeeded, and commercial history is full of losses which pave the way to the most profitable investments. The societies for erecting improved dwellings have not yet been able to show a practical result which would set private enterprise in motion. The capitalists upon whom they could expect to act are not so much the owners of the unemployed fund in the money market, as one particular class, namely, builders, with whom it happens, as it does in other branches of industry, that the greater part of their own new capital is the product of their own gains. Building capitalists choose not an investment which will barely pay, but that which will pay best, and of two modes in which the returns may be nearly equal, that is the least attractive in which repayments come in the form of weekly rents. All these causes conspire to form a thick hedge of obstacles between the capital of the private builder and that mode of application which would be most beneficial to the labouring class. Those who do build for that class go on in the beaten track, erecting, in many cases, what speedily become foul and pestilential dens, yet with impunity and with profit; for custom gives a colour of propriety to every exercise

of the right of property, and by way of compensation produces a certain torpid patience and insensibility under the evils thus arising, in those who are the victims.

Now, if this great and urgent work of improving the dwellings of the labouring class, which is evidently far too great for the efforts of voluntary philanthropy, and which is not likely to be done for a long time to come, through private enterprise, should appear to be capable of great acceleration through the agency of the State; and if it should further appear that such agency might be employed without positive pecuniary loss, the practical inference will follow, that the credit of the Government could not possibly be made use of for a better purpose. That it could be done without loss, or without serious loss, may be disputed, and this question, of course, could only be settled by minute investigation. All that is here contended for is, that if the prospect can be fairly shown to be such as to promise repayment of the low interest of a Government loan, then the case is one for Government interference, through the medium of the various municipal corporations; because every year that passes over our heads in our present condition brings with it vast evils, which no time should be lost in removing.

CHAPTER VII.

Working Partnerships.

"Venturæque hyemis memores, æstate laborem
Experiuntur, et in medium quæsita reponunt.
Namque aliæ victu invigilant, et fœdere pacto
Exercentur agris: pars intra septa domorum
Narcissi lacrymam, et lentum de cortice gluten,
Prima favis ponunt fundaminia: deinde tenaces
Suspendunt ceras: aliæ, spem gentis, adultos
Educunt fœtus: aliæ purissima mella
Stipant, et liquido distendunt nectare cellas.
Sunt, quibus ad portas cecidit custodia sorti;
Inque vicem speculantur aquas et nubila cœli,
Aut onera accipiunt venientûm, aut agmine facto
Ignavum, fucos, pecus a præsepibus arcent.
Fervet opus, redolentque thymo fragrantia mella."—Virg. Georg.

Socialism.—Doctrine of Fourier.

Socialism is a delusion. It is necessary to oppose it, but it is folly to despise it. It is a delusion, because it proceeds either upon a mistaken view of human nature, or upon the expectation that some sudden change would take place, at the beginning of a Socialist experiment, in the governing motives of mankind, without any miraculous means being shown for bringing that change about. The mistaken view of human nature is most conspicuous in the singularly curious, but not popular, system of Fourier[1]. Indeed, it is far too ingenious and

[1] His work on the passions, which shows the basis of his system, has been translated into English by the Rev. J. R. Morell; but his industrial scheme must be sought in the "Théorie des Quatre Mouvements," his first, shortest, and most characteristic work, and the "Théorie de l'Unité Universelle."

too nicely elaborated, not merely for actual working, but for common comprehension. Fourier was a man of much originality, but crotchety and dogmatic in the extreme, and full of the most profound contempt for all other thinkers, from the sages of Greece to the journalists of his own time. His chief disciple, Victor Considérant, has reproduced the best part of Fourier's ideas, in a clear and eloquent form, in the "Destinée Sociale," and no reader can fail to admire the noble spirit of humanity which pervades that work; but it leaves the chasm between the system and the actual life of man as impassable as before.

According to Fourier, there is nothing at all amiss in human nature. Owen always wanted a change of circumstances in order to change character, but Fourier wants no change of character. All our troubles and miseries are the consequences of bad arrangements. Every man will not only work, but work with all his heart and soul, at *something*, if you only give him to do what he likes best. The social problem, therefore, is so to divide a community into groups and sections, or series, as that each man shall follow his own impulses, and yet the result of the whole be a harmonious and immensely increased production of all desirable commodities. Fourier was convinced that this could be done, and that he had found out the secret of doing it. It was to be accomplished, in a great measure, by letting each individual have a great variety of employments, and by observing the general rule of sticking to no one thing for more than a couple of hours at a time. Whatsoever other good it might have produced, it is tolerably clear that neither the Crystal Palace, nor the Britannia Bridge, nor Mr. Mill's Logic, would ever have come to light under such a dispensation. Fourier, however, had a boundless faith in the invigorating effect upon industry of numerous and abrupt transitions—from the study to the garden, and from the corn-fields to the workshops. He rejected the equal division of the produce which the communists would have, and would have rewarded, in separate proportions, the possessors of la-

bour, capital, and *talent*, or capacity. The result of the whole system was to be, to make every kind of labour intensely *attractive*. All were to be as busy and as happy as the insect swarms that Paley was so fond of, or as Virgil's bees, with this additional perfection, that there was to be no provision, and no want of a provision, for driving away drones. Fourier could not understand the meaning of an *evil* passion. Self-denial was the humbug of the priests and the philosophers. All passion was good because it was power,—so much invaluable *steam* going to waste for want of proper machinery which it might propel. In the mechanism of the phalanx every impulse was to have full play, and, with a universal liberty of action, Fourier believed the distribution of tastes amongst mankind to be so harmonious, that even the disagreeable duties of the scavenger and the nightman would find groups and sections to take them up with passionate enthusiasm.

Christian Socialism.

The other forms of Socialism usually recognise as real evils the tendencies which men show to laziness, fraud, and self-indulgence, but concur in expecting that, with social arrangements once properly placed on a brotherly footing, men would act habitually from brotherly feelings. This is the fallacy of the most respectable of all the Socialist writers—namely, the very able, humane, and courageous men who advocate what is called Christian Socialism in England [1]. In theory they begin with Christianity as the foundation, and if they could do this in fact, that is to say, if they could find a body of workmen thoroughly imbued with the Christian spirit, a brotherly organization of industry would be easy enough. Even with a very imperfect religious sentiment, when strong enough to over-

[1] The most acute and brilliant of the French Socialist writers, Prudhon, cannot be said to have a system. He is negative and critical, not creative; but he would be a formidable adversary for the old dogmatic economists to fence with, if they were always sensitive enough to know when his weapon runs them through the body.

come the ordinary passions of human nature, co-operative industry has been practicable amongst the monks of the middle ages and amongst the Moravians and Shakers of later times; but without the moral preliminary the mechanism will not revolve. Nothing is easier than, like Gonzalo in the "Tempest," in the idleness of the imagination, to frame plans of perfect commonwealths—nothing harder than to give birth to a new enthusiasm. The Christian Socialists find themselves compelled to think of the plan first, and to hope for the enthusiasm as a *result*. But the laws of moral causation will not be evaded, and those laws condemn all such schemes to inevitable failure. Upon this subject Mr. Carlyle saw and spoke the whole deep truth—first in 1829, and again with increased force, at the very time when England was in a whirl of excitement about the Reform Bill—that no changes of the social mechanism will accomplish a moral regeneration. Life, wherever it exists, assumes appropriate organization. But no organization, if such a thing can be thought of separately, can ever produce life. The Christian Socialists, however, would deserve forgiveness even for more serious errors, which are only theoretical, in consideration of the practical energy and sagacity with which they have urged a really valuable reform, of which I shall presently speak, and in consideration, also, of the important service which they have rendered to society, by causing a numerous body of intelligent working men to feel that amongst the educated and aristocratic classes are many of their firmest and most zealous friends.

Socialism on the Continent.

Socialism, then, in every form in which it has appeared, is, in my view, a delusion; and a calm and clear thinker can scarcely fail to see where the error of each system lies; but from working men in distress, or suffering under any stinging grievance, real or imaginary, calm and clear thought is hardly to be expected. On the Continent, where Socialism has been

most widely diffused, it is not an opinion, but a passion. It is the religion of the bulk of the artizans in all the great towns throughout France, Switzerland, and Germany; and in spite of the coarse sensualism that often mingles with it, is more like that stern, self-denying, irresistible fanaticism which in the seventeenth century overturned the English monarchy, than any popular feeling that has since appeared in Europe. These men have in them nothing of the timid, prudent, calculating spirit of the middle class. Whenever the summons comes, they are ready to march up to the cannon's mouth, or to fill the deepest fosse with their bodies, in order that their comrades may pass over them to storm, and sack, and devastate every standing structure of the old society. Their enthusiasm, indeed, would probably bear any trial better than the trial of a Socialist experiment itself; for it is very much easier to die on a barricade, or even to endure transportation to Cayenne, than to work on for a twelvemonth side by side with a lazy co-operative colleague, and see him regularly swallowing the half of one's own earnings.

Socialist Tendencies in England.

But there are some who think that this contagion, the spread of which has done much to undermine the fabric of continental society, is not at all to be dreaded in England; and that the instinctive good sense of English workmen must always protect them from such a delusion. The superior practical sense of the English workman is, indeed, a real and most fortunate distinction; but an error which can obtain dominion over such minds as those of the highly-educated advocates of Socialism in England, may very easily assume shapes which, under favourable circumstances, would spread it far and wide amongst the working class. There is, moreover, a peculiarity about working-class politics which is frequently lost sight of, but is of the highest importance; and that is, the love which they have for abstract and elementary discussion. The political shop-

keeper takes as keen an interest in the differences between Lord John Russell and Lord Derby, as if he himself were either hoping to gain or fearing to lose some ministerial appointment. The politician of the workshop cares not a rush for either of the great leaders. He is well convinced that they are both aristocrats and enemies of the people. The topics which he deems worthy of discussion are such as the right of property in land, the hostile claims of labour and capital; and, in short, his intellect is perpetually loosening up one or other of the foundations of society. What can be a greater mistake than to imagine that there is not here a soil, all ready prepared, for a general and rapid upgrowth of Socialism, whenever a man shall arise who knows how to turn the capacity to account, and chooses to cast in the seed?

Reform in the Law of Partnership.

Few things can be more important at the present time than to anticipate and prevent any such movement, by providing, if it be possible, channels into which the tendencies which would lead to Socialism may find outlets, not only safe, but eminently beneficial. That this can be done, even with facility, has been shown by Mr. Babbage, in his "Economy of Machinery and Manufactures," by Mr. Mill, in his most valuable chapter on the "Law of Partnership," and by the evidence of various witnesses before Mr. Slaney's committee. In this case a reform is suggested, which is *not* discordant with the doctrine of leaving things to themselves; but is, on the contrary, a very simple inference from that doctrine, although by some unfortunate coincidence it does incur the condemnation of some of the very persons who, in consistency, should be its chief advocates. The substance of the reform is, that the law of partnership[1], which amongst us is fettered

[1] Upon this subject there is an article full of instructive details in the *Edinburgh Review* for April, 1852. The title is "Investments for the Working Classes." This paper is clear, forcible, and in admirable tone.

with restrictions, not thought necessary either in France or the United States, should be so altered as to leave men free to form partnerships and joint-stock companies, either with liability limited to the capital subscribed, or with limited liability on the part of all the partners in a concern, *except* the acting managers; and further, to provide partners, at least in concerns of small magnitude, with some cheap and simple remedy against each other, instead of the present system, in which a partnership dispute compels all the parties to plunge head foremost into the unfathomable and hopeless gulf of the Court of Chancery.

Popular Belief respecting Profits.

The peculiar state of working-class opinion which renders this change advisable even on grounds of the most selfish policy, is worthy of notice. The germ of Socialism, ready at any moment to be quickened into most dangerous life, lies in the belief, wide-spread and deeply-rooted amongst the operative class, that the capitalist obtains more than his just share of the produce of labour. In any intelligible sense of the word justice this is a mistake, a "popular delusion," which may yet furnish matter for a new and painful chapter in Dr. Mackay's valuable work. It is a delusion, because, if capital is to have any share at all, which will scarcely be denied, it could hardly have less than in cases of the largest investment it has at present. Whatever be the proper *rate* of profit in any case, the quantity must be in proportion to the quantity of the capital. There is no other way of measuring it. This, however, makes the share of the capitalist class in England seem to be very great, because the absolute quantity of capital that has been accumulated is enormous, but the *rate* of profit is *lower* than in any part of the world, and is constantly tending to a point at which no man would think it worth while to exercise the self-denial involved even in the easiest kind of saving. The most accurate index to the general rate of profit is the rate of interest on

Government securities, which is now three per cent. Profits in business on large capitals may be four, five, seven, or ten per cent., according to trouble and risk, and are kept at the lowest point by the most intense competition; but *three* per cent. is all that can be had for the mere use of capital where the security is perfect, and where the return is dropped like a ripe fruit into the mouth of the capitalist as he sits in his easy chair. Now there is not a workman in England who, when he has made a little capital by his own savings, does not think three per cent. a paltry and beggarly return for it. It is as clear to him as daylight, that the return is too small, because he compares it with the gross returns of the great millowner, whose accumulated stock enables him to vie with the peerage in the splendour of his establishment, forgetting the great hazards to which that stock is continually exposed, from the storms of the ocean, from the destruction of markets by political revolutions, and still more from the sudden and startling variations in the produce of the earth which are brought about by mysterious natural causes. When these risks and drawbacks are duly allowed for, it is certain that the average return to capital in England is kept down to its lowest point, by a competition far more intense and unsleeping than that which amongst the labouring class depresses wages. It is certain, too, that in proportion to the greatness of the capital is the smallness of the rate of profit, and the whole tendency of our monetary system is to make the proportionate value of capital sink more rapidly than the value of labour. The power of those who possess capital may be a growing power, but it does not grow at all in proportion to the growth of the capital itself.

The operative, however, is apt to believe that the division of the produce between himself and the owner of those immensely expensive tools which enable the production to take place, is never exactly what it should be. He thinks that he, a child of Adam like the other, is, according to the French term, *exploité*, that is to say, habitually *worked*, or used up, for the profit of his employer, and during those slow monotonous hours of toil, that

thought not seldom stirs within him a silent yet grim resentment. It is this which gives almost a savage virulence to the feelings called forth by strikes. And it is truly wonderful, that observing men are not often startled and dismayed by the indications of social danger which every one of those transactions furnishes. The broad fact which every such contest makes apparent is this, that in the region of most active industry society is split into two hostile camps, and that the only tranquillity which subsists between them is that of a convenient but hollow truce, which may be broken at an instant's warning. Yet, even in its foreign relations, it is true of the vast industrial system of which this is the condition, that it stands, as Burke said of the Constitution, "on a nice equipoise, with steep precipices and deep waters upon all sides of it." Never was policy more clear than that of removing from what is so situated the elements of internal disorder.

Workmen may become Capitalists.

The main source of the danger lies in the fact that the workman does not understand the position of the capitalist. The remedy is, to put him in the way of learning it by practical experience. A simplification of the law of partnership could not fail to have this effect, for the disposition of the working classes to invest their own savings in joint-stock industrial enterprises is manifesting itself with increased strength from day to day. In many departments of industry, of course, their small capitals would be of no use, and in many, the vigilant despotism of a single owner or an absolute manager is indispensable to success; but what is wanted is, that men shall be free, and shall find legal facilities for making every experiment which shall seem to themselves to promise profit. They are anxious to do this. They ought to have leave to do it. They will no doubt be often deceived. They will make mistakes, and will suffer losses. With the ignorance, the rashness, and the gullibility which is found in men, there cannot but be victims. But what

great good can be bought without a price? The march of society to its most signal triumphs is always over the wounded and the slain. Our business is to go on with all humanity and tenderness, but still to go on. There is sacrifice in advancing, but there is neither safety nor honour in retreat.

Working men, once enabled to act together as the owners of a joint capital, will soon find their whole view of the relations between capital and labour undergo a radical alteration. They will learn what anxiety and toil it costs to hold even a small concern together in tolerable order; what amazing difficulties there are in the way of organizing, by voluntary consent, that industrial discipline which capital now enforces; and what losses, what cruel disappointments in markets, what trembling uncertainties, may carry off the mind of the owner of capital in painful abstraction when the children are on the knee at the fireside, or may whiten the hair on a sleepless pillow. Operatives who go through this experience will find not only their thoughts, but their sympathies enlarged. They will grow both in wisdom and in charity.

Partnership an Instrument of Social Improvement.

Upon such narrow grounds of policy, then, as might be suggested by a mere zeal for the safety of property, facilities should be given for partnership amongst working men; but my advocacy of them does not rest upon these grounds. The joint-stock principle appears to me to be an instrument of immense latent capacities for elevating the condition of the whole labouring class to a higher grade, both of material comfort and of intellectual and moral cultivation, than they have yet attained. It is, therefore, their clear and undoubted *right* to have the use of this instrument, and those who would withhold it from them must do so at their peril. Already they show that they are not incapable of wielding it with effect. Joint-

stock enterprises have been set on foot by working men, and in the teeth of all legal obstructions have been carried to a successful issue. Many have failed, but some have completely succeeded, and, in such a case, one success outweighs a hundred failures. Every failure is a warning, every success is an example. The failure in each case serves, as it were, to mark some new rock in the chart of the industrial navigation, but the single success is the discovery of a deep and spacious harbour in which whole navies may ride in safety.

The form in which the principle of working-class partnership has been most successful, is that of co-operative stores. In some of the large manufacturing towns, as at Rochdale and Leeds, stores for the distribution of various articles of consumption, and mills for grinding corn, have been set up, and are now in operation. The shareholders sought to obtain two things: first, to secure articles perfectly free from adulteration; and, secondly, to obtain them as nearly as possible at wholesale prices. Their belief is, that in both ways they have succeeded. To me it would seem that the gain in either way can be at best but slight, if the joint-stock plan be compared with that of obtaining the articles from an equally large store of a private capitalist, and whatever the gain may be, of course it involves the risk of mismanagement, and of loss to the capital invested; but if the parties concerned believe that there *is* a gain, and that the gain is worth the risk, and if they go on steadily with this scheme of co-operative distribution, acquiring from day to day new powers of industrial combination, learning to look at many questions from a point of view at which they never stood before, and constantly growing in habits of mutual trust, then the worth of the whole process, considered merely as one of practical education, is inestimable, and it is quite certain that by means of it they are qualifying themselves for safely undertaking, at a future period, schemes of wider scope and greater difficulty. But the co-operative store is not the only form in which this kind of partnership has been successfully carried

out. The reader of Mr. Mill's work is aware that, both in England and in France, and still more in the United States, enterprises of greater difficulty have been carried on, in joint shares, held either wholly, or partly and in conjunction with employers, by working men. It is not necessary to repeat what he has already placed in so striking a light, but it is well to point out that the path, upon which it is here contended that the working class should be encouraged to advance, is exactly the same path in which the middle class has moved on before them, with as much difficulty, as many stumblings, and in the face of as many prophecies of disaster, as any that can attend the efforts of those who may follow.

Joint-Stock Undertakings by the Middle Classes.

The power of acting upon the principle of joint-stock co-operation is one which has been slowly and gradually acquired by the middle class, and at each new step in the progress, though, as it ascends, the eye is ever sweeping over a wider future, the foot sinks in pitfalls and morasses, and the labouring hand is cut and wounded by those thorns and sharp rocks which beset the paths of all pioneers. Fifty years ago none of the great joint-stock enterprises of the present day would have seemed more than the dream of a projector. As late as 1826, men of much wisdom and foresight were persuaded that the liberty then given for the formation of joint-stock banks of issue would lead to fearful abuses. The experiment was tried, however; the new and extraordinary powers which it involved were entrusted to the middle class, and, whatever mistakes may have been made during the five-and-twenty years of its continuance, it is probable that not one of its original opponents would now hesitate to admit both its pecuniary success and its admirable effect as a discipline upon those concerned in the operation. At a later period the still larger enterprises for the formation of railways were undertaken, upon calculations so vast and complex as to involve hazards beyond all previous

experience. Disastrous errors were indeed committed, and it is not to be denied that the mismanagement of many railway boards was stained by something worse than miscalculation, by reckless and scandalous abuse of trust, which admits of no palliation. But seeing the wholesome and general indignation which that misconduct excited, and seeing too the vigorous and effectual efforts made in so many cases to retrieve that disorder, it must also be acknowledged that here again there has been a discipline, however dearly bought, which will yield valuable results hereafter.

Moral Aids to Co-operation.

The working classes, who now show so much eagerness in all the great towns to make new trials of the same prolific principle which in the hands of the middle class has wrought such wonders, ought to have not only legal facilities, but such friendly encouragement as those who are interested in their improvement may be able to afford them. There is great shallowness of mind in that economical purism which condemns as illegitimate all help or patronage which is not obtained on the hardest terms of the market. If a promising enterprise can be helped through a feeble infancy by generous sympathy, until it acquires strength to stand alone, it is not an evil, but a double good, for the mere economical triumph is then instrumental in creating those moral bonds by which classes are most firmly linked together. All that is important in such cases is, to see that the stamina are sound, and that the nursing need be only temporary; but this *is* necessary, for unless the elements of strength and future self-support exist, all bolstering by friendly loans and patronage is cruelty under the disguise of charity.

Neither have we any right to exclude the influence of generous motives amongst the members of the working classes themselves. It is true that schemes which depend for success on the daily and hourly operation of a higher range of motives

than those which are found to govern men, will be swept away by the first wave which reaches a foundation so sandy; but it is not true that great *temporary* sacrifices may not be made, and successfully made, for the establishment of a favourite scheme, and wherever the disposition to do this exists, it deserves not repression, but admiration. Amongst the co-operative societies of Paris there were striking instances of this. One which was composed of cabinet-makers, went on working for weeks, scarcely able to obtain a customer—seeing their little capital gradually sinking,—yet with patient zeal and care still finishing piece after piece of their beautiful workmanship—and, nobler still, sharing such means as they had, so as to sustain all by the same equal slender allowance, until, having endured almost to the point of starvation, their heroic devotion was crowned at last by the appreciation of the public with complete success[1]. Who can contemplate a case of that sort without feeling that the personal qualities evinced in it are of infinitely more worth than keenness in driving bargains, or the caution which believes all men to be uniformly selfish? There is no class of the English population which contains finer elements of character than that of artizans or skilled labourers. The upper and middle classes know them chiefly from what takes place in strikes, and misjudge them accordingly. Combinations and strikes are the result of their deep conviction that the interests of capital are in irreconcilable opposition to those of labour, and that in the present industrial arrangements of society they get less than justice. Place them in a position in which truer views of reality will give their impulses fair play, and it may come to pass that they will teach us all unexpected moral lessons.

[1] The account is in one of the earlier numbers of the *Christian Socialist*. I am not sure that the success of this deeply interesting enterprise has not been endangered or destroyed under the present Government of France, from the suspicion that the co-operative bodies were politically dangerous.

CHAPTER VIII.

England among the Nations.

"This royal throne of kings, this sceptred isle,
This earth of majesty, this seat of Mars,
This other Eden, demi-paradise;
This fortress, built by Nature for herself,
Against infection, and the hand of war;
This happy breed of men, this little world;
* * * * * * * *
England, bound in with the triumphant sea,
Whose rocky shore beats back the envious surge
Of watery Neptune, is now bound in with shame."

SHAKSPEARE.

England at the Beginning of 1852.

At the beginning of the present year, 1852, England underwent a humiliation, such as is without precedent in her history; and such as one must pray may not happen to her again. It consisted in this, that when, in a neighbouring country, an act took place which, according to the plain judgment of the English mind, was a violation of the most sacred laws, human and divine, eminent English citizens became suddenly *afraid* to utter those convictions openly in the face of foreign nations, and that when happily others were found more faithful to the old traditions of freedom, their courageous demeanour was denounced as mischievous, and their mouths, if it had been possible, would have been gagged in order to stop at any cost such imprudent frankness. Every one has heard stories of the alarm felt, both before and after the commencement of the present century, at the idea of a French invasion, and in a country where no shot had been fired in earnest for nearly three generations, it was not surprising that a camp at Boulogne,

almost visible from the Kentish cliffs should have given rise to tremors, some of which assumed a rather ludicrous appearance; but that which I believe did not occur in England fifty years ago, nor at any former period, was the utterance of the wish, or suggestion, that the danger might be averted by concealing those feelings of honest indignation which the conduct of her most powerful enemy excited. It is true that there were then great differences of opinion respecting the character of Napoleon, and that some attributed the whole blame of the quarrel with him to the English ministers; but the important matter is, that the opinions which *were* held, and which in the great majority of cases were vehemently hostile to the French ruler, were not qualified or disguised, and, above all, were not disguised through *fear*. Even when the danger to the nation was greatest, the right and practice of free speech were not on that account in any danger. It will hardly be denied that our position at the beginning of the present year had some points of painful contrast with the position occupied by that former generation, which has now for the most part gone to its rest. This is a subject to be approached with caution, and even with awe. Nothing of greater moment has occupied, or is likely to occupy, the thoughts of those who now live. To touch upon it is to tread at every step upon ashes, amidst which the embers are still hot and visible. It does indeed demand the gravest circumspection, but also frankness, and no shutting of the eyes to facts. To see and say the thing which actually *is*, is therefore the desire of the present writer, and in attempting thus much his obscurity is not inconsistent with a keen sense of responsibility.

English Views of the Coup d'Etat in France.

The news of the great and sudden change which took place in France in December last, gave rise to impressions the most opposite amongst different minds in England. In some men, of the highest intelligence and worth, it produced if not re-

joicing, at least satisfaction. To such it appeared that France was now at all events rescued from the horrors of anarchy; that under the guidance of her constitutional statesmen the vessel was fast going upon the rocks, and that in a concentration of the supreme command lay her last means of safety. It further appeared, that a single ruler, really wielding the great power of France, exempt from all the old Bourbon prejudices, disposed to make himself a representative of the civilization of Western Europe, and able to restrain and regulate without suppressing the democratic impulses of a people full of political vitality, would have formed, in friendly alliance with England, a far more effective counterpoise to the eastern despotisms of the Continent than could be presented by any distracted republic. Some such view may be supposed to have led to the error of Lord Palmerston, for it could have arisen from no motive inconsistent with an attachment to constitutional freedom.

But there were others in England who rejoiced at the blow given to constitutional liberty in France, not because it would array the force of that country against the old despotisms, but because it would assimilate the East and the West, and complete the iron framework of military rule over the whole of Europe. They were glad to think that the luxurious current of aristocratic existence would now flow on in its calm and perfumed tranquillity, without the intrusion of a sound or an odour which would recall the disquieting and offensive struggles of a suffering people. Above all, they were glad to believe that democracy was in its coffin at last; that all that turbid popular life, which by the anxieties it created was every day more and more breaking up the smooth surface of Epicurean enjoyment, was at an end; that its remains were crushed down under ground, and would be heard of no more. They looked thenceforth for a peace where true peace could not be.

The view of the majority of the English people was different. When they saw the constitution of France, which with

all its defects was still a constitution, and invested with the sacredness of legitimate authority, overturned by the man to whose sworn guardianship it had been entrusted, they blurted out at once the old strong phrases of "treason," "perjury," and the like, which they were always used to apply in such cases, without once thinking that it might be prudent to choose milder words, and still more prudent to hold their tongues altogether. This was from no sympathy with anarchy or love of socialism, for they would have winked hard even at ultra-constitutional rigour, employed in curbing the more violent parties in France, because they hate disorder, and have a wholesome suspicion of every movement in which violent and worthless men are allowed to take a lead. But in the seizure of supreme power by Louis Napoleon they only saw a blow struck at the foundation of all law, of all good faith, and of all social security. Such was the sentence generally passed upon that proceeding, the thoughts of men all the while being fixed on France, and France alone—the position of England being that of a highly sympathetic, but still quite disinterested spectator.

Idea of Danger to England.

Soon a new thought occurred, scarcely perceptible at first, so vague and unsubstantial did it seem; but, creeping and spreading, at last it rose up, then, like the mist turning into a genie, in the eastern tale, suddenly became solid, and burst upon the eye in a form at once distinct, gigantic, and awful. That thought was, that the position of England herself was totally changed by the event which had taken place in France. As the new light broke upon them, men wondered how a thing so plain should have been even for a moment doubtful. The power of France—a power more solid, compact, sustained, and far more fresh than in the days of Jena and Austerlitz—was now concentrated, and in what hands? In the hands of a man wholly indebted to the army for his elevation—a man likely to be tempted by the

strongest motives to gratify the passions of that army, and to find for it the work which it would like best. But then, perhaps, of a man, who, from early training and personal inclination, was unlikely to launch that fiery mass of impatient valour against England? In the hands of a man who, if he did not suck in antipathy to England with his mother's milk, had at least been brought up, and had lived to maturity, in the passionate hope of restoring that power which the hand of England had struck down—a man who, in prison and in exile, had fed his mind upon this thought—brooding over it in solitude—not losing hold of it in society—the mental eye often picturing visions of empire when the hand seemed busy with the cue or the dice-box,—and who, at one of the most solemn and critical occasions of his life, had avowed it to be his long-cherished purpose to wipe away the stain of Waterloo. Still, perhaps, of a man feeble in character, and incapable of dangerous designs? No; all was in the hands of a man whose strength of will, power of concealing enmity with smiles, patience in abiding his time, and decisive promptitude in execution when the time came, had just been shown to the amaze of Europe, in taking up out of his path, like children, the wisest statesmen and the most vigorous and experienced generals of France.

Such was the new power which in an instant, in the twinkling of an eye, had raised its front of calm and silent menace in view of the shores of England. How was she prepared, if called upon, to meet it? She felt instinctively for her weapons, and if she could have felt dismay then was the time. It would serve no purpose to go into an enumeration of the old guard-ships, the remote and inaccessible squadrons and regiments, the dismounted artillery trains, and the troops dispersed as police throughout the United Kingdom. It is enough to say, that according to the belief of many, not apt to give way to causeless fears, a French army might then have been landed on the south coast, and might have commemorated, by an inscription on Waterloo Bridge, its occupation of the capital of England.

Conduct of the English Journals.

The interval between the first faint suspicion of the altered position of this country, and the full perception of it, was not great, but it was enough to allow the interest and curiosity previously felt in the future of France to give way to an intense and absorbing anxiety respecting the future of England. The short, quick, telegraphic dispatches were now scanned from hour to hour, with an eagerness full of painful meaning. A common view of the matter was occasionally expressed in this way—"He *must* go *somewhere*, and what so likely as to come *here?*" The visions suggested to the imagination by the idea of "coming here" were sufficiently disagreeable—a violent disturbance of industry, of which credit is the mainspring and security the condition, being only one feature in a picture which included still darker traits, in the images of such personal licence as might be feared from troops hardened in the wars of Africa. Meanwhile, opinions continued to be pronounced upon the pregnant deed which had produced such a momentous change. Those who at first had rejoiced only to see democracy crushed, were sobered by the thought that England had now peril to apprehend with which no form of continental democracy had ever threatened her. They would gladly have protected her by strengthening the national defences, if that could be done in silence, but it could not be done in silence, and they were tempted to think that it was better to deprecate than to brave the danger. Above all, nothing seemed so desirable as to refrain from irritating criticisms upon the new French government. But the feelings of the mass of the English people were different. They went on as before, calling things by their old names, seeing the danger indeed plainly enough, but condemning tyranny and bad faith as heartily as ever; and, above all, loudly execrating the reckless violence which had stained the streets of Paris with so much innocent blood. At the same time, the journals, as usual, were in the main true representatives of the popular sentiment,

those accustomed to take the lead being clear and emphatic in their reprobation both of the *coup d'état* and of the wholesale and unscrupulous cruelties employed to sustain it. The conduct of one great journal in particular, which, whether for good or evil, is heard throughout Europe as the voice of the English people, then gave rise to a situation which for solemn tragic interest has never been surpassed. The loud tumult of popular discussion in France had been suddenly succeeded by a mournful calm. In all other parts of the Continent the press was dumb. The nominal independence of Switzerland and Belgium did not allow a murmur to be heard from either. The danger to England seemed to become daily clearer, and as it did so the invectives of the *Times* against him who was most to be feared grew bolder and more unsparing. The freedom, or it may be the licence, of the tribunate was strained to the last pitch of daring, just then when every motive of mere selfish prudence would have counselled moderation. But it was impossible not to feel that, in that just and eloquent indignation which was then poured upon the head of the Usurper in the midst of the awful silence of Europe, and while the countless bayonets of France were pointing to these helpless shores, the old heroic soul of England did indeed speak out. In that flashed forth the fire of the same tameless race that faced the odds at Cressy, and that would still oppose a naked breast, if nothing else, to the steel of an invader.

Alarm at the Conduct of the Times.

Yet there were men in England, men of rank, and weight, and worth, who had not even a trembling sympathy with that effective vindication of the national honour[1]. They saw in it

[1] Having, with the knowledge of many, repeatedly written and spoken in condemnation of the conduct of the *Times* in other matters, I am prepared for the misconstruction to which the above remarks may lead. But the fact is memorable in English history, and could not be omitted. I will further say of the *Times* generally, that upon some economical questions—such as the Poor Law and the Factory Bill—

nothing but imprudence—the very madness of imprudence. "It must provoke the vengeance of the great French ruler. Could it not be stopped, or in some way kept within bounds? A man with four hundred thousand soldiers at his back, all standing like greyhounds in the slips, will not remain patient under a series of such galling insults. To go on so was to invite invasion." Perhaps this was a mistake. There are times when hardihood is the highest prudence. But, prudent or imprudent, the fulminations continued to peal through the thick dark atmosphere, and those who would have checked them, but were unable, could only indulge in gloomy prognostications of the issue. In the midst of the anxiety which was then shown by many to consult the national safety by the surrender of the ancient privilege of free speech, a thought occurred to one observer, which to him at least was new, and was not consoling. It was a doubt as to whether the old theory, that all nations have their periods of youth, maturity, and decline, was not to have a further and greater illustration than any previous one, and whether the meridian glory of England did not already belong to the past. What did these fears, this prudence mean? Is the wealth, or the liberty, or the life of the individual to be purchased by the surrender of all that makes life noble? If not, can it be right for men as a nation to do that which each severally would reject as base? Besides, this prudential recommendation to truckle to a foreign power was something new in England. It was a change. Was it an advance? Such was the form which the doubt assumed, soon, however, to give way to the conclusion that this low-thoughted prudence was *not* chargeable to the nation at large, and that those by whom it had been ma-

I passed harsh judgments on that journal in former times, which probably had quite as much error in them as the articles by which they were called forth. On the other hand, the *Times* still appears to me to be deeply responsible for the abuse of its great power with regard to Italy and Hungary; and the amount of mischief which its articles of former years produced in Ireland is incalculable. If it had more resolutely pushed and made successful the effort to exempt Ireland from the absurd Anti-Papal Bill, there would have been a service of some weight to set off against those old injuries.

nifested had had their clearer perceptions blinded by the false—the utterly false—position in which a short-sighted economy had left the country in reference to its means of defence. The bravest men may be brought to a pause when they find that the superiority of force against them is overwhelming; and it must be acknowledged that the adoption of any measure calculated to provoke a war with France, at the commencement of the present year, did seem the extremity of rashness. Public men, as usual, put the best face on the matter, but it is idle now to conceal, and would be foolish to forget, what was then believed, namely, that both humiliation and injury might have been inflicted upon England, if the means of annoyance existing on the other side of the channel had been fully employed against her.

Now, it is not right that men of influence in England, whether statesmen or journalists, should be thus not so much tempted as compelled to consider, upon every great national exigency, whether it is safe to be honest; whether they may venture to speak their minds; whether first one and then another of the ancient English privileges must not be surrendered, until there will be left only the materials of animal enjoyment, to be held upon the tenure of a slavish silence. The means of protection ought to bear some proportion to the worth of those treasures, not only material but intellectual and moral, which are now borne in England, as in an ark, through the deluge that has spread ruin over Europe.

Commerce and Missions.

Let us look for a moment, on grounds of narrow calculation, at some of the risks which may be incurred. British interests and British subjects are scattered literally over all parts of the globe. They go everywhere, and everywhere the flag of England, visibly or invisibly, floats over their heads. The old talisman of Roman citizenship did not encircle its possessors with a more perfect panoply, than that with which the name

of Englishman has been wont to invest those who could lay claim to it. I say this *has been* the case, because there appear more of those ominous signs, which have been frequent of late, that this charm is passing away. Upon what, however, has it depended? Plainly upon the belief, wide-spread even amongst barbarous tribes, that England, at the centre of her power and life, is sensitive to every rude touch which the most distant member of her social organization may encounter; that she will feel the wrong, however remote, where wrong is done, and not merely feel it, but that she CAN and WILL redress it. This alone renders possible and safe the immense extension and complexity of the foreign mercantile transactions of England, for all these are perpetually leading to collisions with strangers, in which passions are excited, and in which not only loss of property, but loss of life, would be a familiar occurrence, but for the magical protecting shield which that distant Downing Street, in spite of all its defects, does or did for a long time contrive to throw over every British subject.

But does this power exist for commerce alone? What is to be said of the scarcely less wide-spread system of English Christian missions? nay, indeed, of American Christian missions also?—for here the splendour of a more happy future is reflected upon the darkness of our present sad disunion, from the fact, well-known to all readers of missionary records, that in the work of Christianizing the heathen by those who speak the English tongue, the bonds of nationality give way to a nobler union; and that English and American missionaries are found habitually to take refuge from danger under the same flag; feeling equally at home, whether it be the royal standard of England, or the star-spangled banner of the Great Republic. It is true, indeed, according to my belief, that a Divine power watches over and will always preserve whatever is not of purely human origin in the Christian faith; but the safety and freedom, and much even of the efficiency of its teachers, are still left, like other privileges, dependent on human vigilance and effort. St. Paul did not disdain to employ all the civic advan-

tages which he could command, but, on the contrary, used them to the utmost to promote the great end for which he lived, having no scruple about the tacit sanction thereby given to that armed force of the Government by which alone his legal rights could be enforced. A spirit much like that which stood so stiffly upon the appeal to Cæsar, and extorted an apology from the magistrates of Philippi, was to my own eye visibly at work, some years ago, in the passionate and somewhat martial ardour with which eminent Christian ministers, in spite of their pacific tendencies and sympathies, called for the obtainment of redress from France in the matter of Tahiti. Was that zeal ridiculous, or inconsistent with the Christian profession of those who felt it? Far from it. It was an honourable and Christian zeal; a zeal free from all taint of selfishness. That for which those excellent men were so deeply moved was an object worthy of enthusiasm.

French Protectorate of Tahiti.

There is no more remarkable phenomenon in history than the change wrought in the Society Islands by Christianity. A critic, who thinks it more profitable to dwell on what is bad than on what is good, may find fault enough in what has been done, but the moral triumph, as a whole, is one of those facts upon which criticism tries its teeth in vain. It is little more than half a century since those islands were plunged in abject barbarism. Human sacrifices, child murder, and other abominations connected with a debasing system of idolatry, were the most prominent features in the habitual life of the people. In 1774 two Roman Catholic missionaries were sent amongst them from Peru, but that mission proved a failure, and was soon abandoned. At the close of the last century was formed the London Missionary Society, and one of its earliest efforts was that made for the conversion of Tahiti. They who learn languages more or less resembling their own, with the aid of grammars, dictionaries, and skilful teachers, can ill appreciate

the task of him who, without grammar, dictionary, or teacher, and without a single analogy of sound or inflexion to guide him, tries to acquire fluency in a barbarous tongue. All this the missionaries to Tahiti, as in similar cases, had to do, and they did it—but for what? Only to obtain the command of an *instrument*, which was to be afterwards used in the still harder task of softening and subduing to the yoke of the gospel the fierce passions of the human heart. The calm and inflexible heroism of the missionaries reached the point of being able to deliver the message; but years wore away in conflict with the obstinate sensualism of the people; and after some of those faithful men had sealed their testimony with their blood, the survivors, in the year 1809, were expelled, and the whole enterprise seemed to be completely at an end. But such enterprises do not end in that way. Two years afterwards the missionary labours were resumed, and then it was found that that moral desert which had been so long barren was yet to rejoice and blossom as the rose. The seed which appeared to have been cast only into stony places had not fallen in vain, and before long the fields were white with a harvest. Within less than a single generation from that time, it was possible to say that Tahiti possessed "a written language, a free press, a representative government, courts of justice, written laws, useful and improved resources,"[1] all connected with and flowing out of the general reception of Christianity. Upon all that scene of fair accomplishment, and still fairer promise, suddenly came down the so-called Protectorate of France, threatening, as it seemed, nothing less than the complete disorganization and ruin of a system which was still too young and feeble to go long alone, without the strong English hand to lean upon when needful. Was it wonderful that Christian ministers should be indignant? Was it wonderful that they should then think one of the most active and resolute of foreign ministers not active and resolute enough in using the power of England

[1] Report of the London Missionary Society, 1835.

for the rescue and preservation of the pearl which they prized so highly?

Means of securing Justice between Nations.

This zeal, in my view, was zeal in a good thing; and, though less lofty, not less just is that common demand of the English trader, that his venture of silks and spices, when they escape the billows and the rocks, shall be everywhere safe from any dishonesty which the authority of England can restrain. But merchants and ministers of religion must not be children. If they ask these things, they must know what they ask, and what such things cost; because such requests are idle without the existence of infantry, and dragoons, and ships of war, and parks of artillery. Moral force has been sarcastically defined as "physical force in perspective." This is not quite true, for there *is* a force—the force of ideas, of true convictions, which, in the long run, is an over-match for all the armies in the world. But the operation of this force is too slow for the desires of a Liverpool exporter, or of a warlike missionary at Exeter Hall. Pure moral force—that is to say, moral force without the possible accompaniment of grape-shot—is of no use at the Foreign Office. We have not come to that point yet, in the intercourse of nations, though it is to be hoped we shall do so at some future time, according to the promise of the poet:—

> "When the war-drum throbs no longer, and the battle flags are furled,
> In the Parliament of man, the Federation of the world."

For the present, and as the only means of ever reaching that glorious time, the nation, to whose safe-keeping is entrusted the highest treasures of civilization, as a deposit on behalf of humanity, would be deeply guilty if, through ignorant or sordid negligence, she failed to keep in her hands the means of guarding them against unjust encroachments. The effective protection of commerce and of missions means this—that the

scratch of a pen at Whitehall shall always be sufficient to move line-of-battle ships from their moorings, and launch them into the deep, manned, organized, and armed with all the machinery of destruction, as complete as skill, and discipline, and valour can make it. This is that sword of the magistrate of which the apostle speaks as a terror to evil-doers—a sword not indeed to be used without the most solemn responsibility, but still a sword of the sharpest edge, which he to whom it is entrusted ought not to bear in vain.

Possible Demands upon England.

Constituted as men are, justice cannot be ensured amongst them without force. In the internal government of a nation, the force requisite for this purpose is entrusted to a few on behalf of the rest of society. But in the society of nations there is no supreme authority. Each separate nation is a portion of the general executive, and both the right and the duty of enforcing justice attach to and accompany the possession of power. Each, according to circumstances, may have to exercise the right, and upon each, according to the turn of events, this duty may be imposed. England, therefore, requires an adequate power to enforce her own just demands; but she wants such power no less to enable her to resist the unjust demands that may be made upon her. Look at her position. Is there nothing in it to render her peculiarly liable to such demands? Throughout the whole of Continental Europe there is now no free press. From the Ural Mountains to the Atlantic there is no country in which a journalist can freely criticise the great reigning powers. This is not an accidental circumstance. It is a necessary result of that system of military repression which everywhere prevails. The two things could not exist together. But, then, if such Governments cannot bear the free criticism of journals at home, how long will they patiently endure the sharp comments of the English press? The nearest of those powers is evidently very

sensitive to its criticisms. What if a remonstrance should be addressed to England on the subject? It would not be the first time that such a thing has happened. A greater man than the present ruler of France was stung almost to madness by the attacks of the English journals, which continued even after the peace of Amiens. But when Napoleon demanded, with anger, that such licence should be put down, the English minister calmly replied that it could not be done, because to do so would be contrary to the custom of England. Why was he able to give that calm answer to the master of four hundred thousand bayonets? Only because the ships of the Nile were at hand, and the flag of Nelson ready to go to the masthead.

Right of Asylum.

If the custom should again be challenged, no doubt it will be again maintained. A right so necessary as that of free discussion will be maintained as long as any spark of the old life of England survives; but what is to be said of the *right of asylum?* Are there connected with the exercise of this right no possibilities of sudden and serious danger? This is a question of extreme delicacy. But it is one quite certain to be forced upon the public attention sooner or later, and had better be considered while it can be considered calmly, and sifted to the bottom. There is no need to excite disturbing prejudices by referring to such cases as those of Mazzini or Kossuth. It will be admitted that those distinguished exiles are to be treated like others. There is to be one rule for all. None, for instance, can be suffered to break the law which prohibits warlike preparations against a Power with which we are at peace. So far the case is clear. But a case not quite so clear might easily arise in connection with some of the eminent persons now excluded from France. If any of them choose to reside in England, they will of course be as free to write, talk, and choose their company, as the French ambassador. But events might occur in France to render the presence and move-

ments of such individuals matters of great anxiety to the French Government. Is England prepared to maintain her old freedom of hospitality in spite of any demands which that anxiety might press upon her?

After the changes that have already taken place in France, few can be desirous of seeing another French revolution; for, excepting the first memorable change, which produced some great reforms, each revolution in succession is a lottery, giving a certainty of nothing, except that the people always draw blanks. The thing most to be desired for France is, that she should become settled under some Government; but it can hardly be imagined that a people of such quick impulses, and so much mental activity, will continue to endure a system which represses all freedom of thought as rigidly as the Inquisition. Unless that system be relaxed, which seems an event not likely to take place, it will provoke reaction; and whenever the Government feels that there is any extensive movement amongst its foes, it will not look for precedents in Grotius or Vattel for the measures which it may take to counteract them. If England shall then be in a position to invite the process of putting on the screw, she will certainly be made to feel it. If the French Government shall at any time become seriously apprehensive about the movements of French refugees in England, it will not rest content with the observance of the Foreign Enlistment Act. It might demand the expulsion of the person of some individual supposed to be dangerous, or it might ask for the inspection of his correspondence. What should be the answer? Unquestionably a flat negative is the only answer which the English people would permit to be returned to either demand. But, then, to give due weight to such a reply, troops, artillery, and channel fleet should all be in perfect order.

Treaty Obligations.

For the mere defence of England, therefore, it is essential that her armaments should be both large and efficient; but

there are other objects, also, which must be kept in view, unless it is to be held that nations are under no moral obligations whatever. There is nothing upon which opinions are more unsettled than upon the question as to the relations in which nations ought to stand to each other. Theorists, as usual, take extreme and opposite views, between which the practice of mankind steers a middle course. Of the two extreme views, namely, that, on the one hand, which holds nations bound to render to each other the same services which private men are bound to render to their fellow citizens; and that, on the other hand, which considers each nation free to do, at any moment, only what will promote its own immediate interest; the more generous notion is, unfortunately, the more impracticable of the two. That a strong nation should step in with her aid whenever a weak one is struggling against oppression, is a course which recommends itself to our best feelings; but it may often be impossible to resist the injustice successfully, or without giving rise to an amount of disorder and misery so vast that the risk is too great to be voluntarily incurred by the limited human intelligence. No general rule of that kind, therefore, can be admitted. Each special case, as it arises, must be dealt with upon its own merits; but the best security for a right decision in the cases where the national obligation is doubtful, will be sure to exist when a nation is habitually prepared to discharge those obligations towards other nations, of the extent and force of which there can be no doubt whatever.

Now, by the consent of all ages, there *are* cases in which interference is both right and practicable, and nations have bound themselves to each other by treaties in which such cases are provided for. It is, however, a question with some, whether such treaties ought to be observed. It is true they have been repeatedly broken. But are we advancing towards a better state of things, or declining towards a worse, by laying down the rule that no treaty stipulations are to be observed any more? The law of nations is a loose, defective, and, in some

respects, wholly indeterminate rule of action, but, if it is ever to become clear, and adequate, and binding—if, in a word, we are ever to realize that grand conception, the "Federation of the World," which is presented to us not only by the imagination of Tennyson, but by the practical sense of Cobden—it would seem natural to begin by giving all possible sacredness and validity to those parts of the law the obligation of which is universally admitted. There are some very refined moral questions which an individual may meditate respecting the use of property, but it would not help him, in the establishment of a perfect moral standard, to begin with a doubt as to his obligation to pay his tradesmen's bills. Now the tradesmen's bills of England are the treaties which she has deliberately signed, binding her to aid in maintaining the independence of certain foreign nations. She has contracted an obligation of this sort with respect to Belgium. It appears to me that England, in doing her part to bring about the universal federation of nations, ought to be ready to perform this particular duty of going to war, if it were necessary, to prevent a French occupation of Belgium. The attempt at such occupation it is to be earnestly hoped will never be made, but a man must be blind who does not see that the possibility of such a thing must be contemplated by statesmen, and cannot be overlooked in the regulation of armaments.

England connected with the Continent.

Here, then, is a case in which, upon grounds distinct from those of mere self-defence, England should have the means of speaking and acting with authority and effect in her intercourse with foreign nations. She ought to be able to do this as a matter of duty, but, in truth, she would in doing so promote her own security. The conversion of Antwerp into a French port, to speak of nothing else, would greatly increase the means of annoyance existing immediately near the English coast, and, to

speak of a matter of very inferior importance, the inclusion of Belgium within the tariff of France would by no means improve the commercial relations between England and the former country. In resisting any attempt to annex Belgium to France, England, too, might count upon the firm support of Prussia, whose interest in the matter would be even stronger than her own. The strengthening of that alliance, it may be added, is suggested and recommended by the whole state of European opinion; and England, even if she would, cannot separate herself from the general concerns of Europe.

A brilliant writer of the present day has happily embodied in a fiction the important truth, that, however favourable circumstances may seem for making the experiment, no man can live long in refined and luxurious isolation. With all possible care and sacrifice to avoid social entanglements, he is quite certain to get entangled at last, and to find upon his shoulders the very responsibilities of which he had the greatest dread. It is exactly the same with nations. England cannot play the part of the "Bachelor of the Albany." From the great movement of society in Europe she cannot stand aloof. As a nation she has duties to perform, and woe to her if she neglect them. She ought to have, therefore, both a foreign policy and foreign alliances. She ought to have a policy so distinct and well-sustained by public opinion, that the minister who represents her should both find the main line of his position marked out for him and feel, in maintaining it, that he has a nation at his back. No minister, however bold, energetic, or sagacious, can speak with effect in diplomatic intercourse if he does not know that in the last resort fleets and armies will be ready at his call. Towards weak nations, indeed, the policy of England should always be mercy and tolerance, even to the verge of laxity; but, whenever the cause of justice requires it, she ought to be both able and resolute to impose her will upon the strong. If the national force cannot be thus wielded under a popular constitution, the result must be the growing ascendancy of despotic governments. Their power, perfectly organized and at

command, will be more than a match for such disjointed and faint resistance as can be opposed to them by nations whose collective will is paralyzed by internal disunion.

Alliance with Prussia.

England, then, should not only have a foreign policy well defined and well supported, but foreign alliances calculated to ensure that support, and should be willing not only to rejoice in the good, but to submit to the evil which may result from such alliances. Europe throughout its whole extent is now divided between two antagonist principles, that of absolutism, upheld solely by armies, and now generally triumphant, on the one hand, and that of anarchical democracy on the other, crushed for the moment, but still full of life, and even in its extravagances representing the eternal and irrepressible rebellion of the human mind against the dominion of brute force. The present ascendancy of military governments cannot be permanent. Sooner or later they will find the ground crack and yawn beneath their feet, as it has so often done before, and the old chaos will again threaten to engulf them; but for the best interests of mankind there seems as little to hope from unqualified democracy as from unqualified despotism. Some constitutional compromise and adjustment is indispensable to give any security for individual freedom and permanent tranquillity. It is to the strengthening of the constitutional principle in Europe that the foreign policy of England ought to be directed. The adverse forces have been so long softened and harmonised amongst ourselves, as to be scarcely distinguishable in the working of our mixed Government, but any such reconcilement in other countries must assume different forms, and be attended with far greater difficulties. All that can be done by England is, to strengthen constitutional forms abroad where they already exist, and to promote constitutional tendencies where they show themselves. Three countries, all very important from their position, but secondary in influence, may be said to enjoy con-

stitutional freedom; namely, Belgium, Switzerland, and Piedmont. The maintenance of those three States in their integrity and independence is of the last importance to the future interests of Europe. If Great Britain stood alone, she ought not to suffer Belgium to fall without an effort to prevent it. But it may be fairly doubted whether her single strength would avail to protect either Switzerland or Piedmont from a despotic coalition.

There is, however, one of the great powers now hanging doubtfully between the two principles of despotism and constitutional liberty, but naturally marked out as the leading constitutional power of central Europe, and able, if it choose, both to stand firmly on a constitutional basis itself, and, in conjunction with England, to protect the freedom and independence of all the minor States. That power is Prussia. If the Government of France became more sympathetic with the constitutional principle, it would be its interest, and ought to be its inclination, to join heartily in such an alliance; and then that fair portion of Italy, which is blighted with the temporal rule of the Papacy, might be allowed to free itself, and to assume a place amongst constitutional nations. But at present there is no object of foreign policy so important as the establishment of a cordial understanding with Prussia, because not only the foreign but the domestic policy of Prussia is capable of being materially affected by the policy of England. The most solid basis of alliance between two countries lies in resemblances of character between their respective populations, and especially between the ideas, feelings, and tastes of their ruling classes. All these sources of sympathy exist between England and the northern or Protestant section of Germany, which Prussia represents. In no other foreign country are the literature, institutions, and character of England appreciated as they are there. Nowhere else does an Englishman find himself so soon or so completely at home, and from no other country, nor, indeed, from all others put together, has so much rich, refreshing, and original thought been poured in the course of a single

generation into the literature, and thereby into the intellectual and moral life, of England.

Now, whatever be the defects of the present government of Prussia, and whatever be the fears of her conservative classes, the spirit of her best statesmen is, and has long been, really constitutional. The ruling idea, at least from the commencement of the present century, has been the *people*, and not the *crown*. There might be, and has been, great error in attempting too long to govern *for* the people, instead of *by* the people,—in the tendency by an overstrained bureaucratic system to keep them in leading strings;—but still, in those primary and prolific reforms which relate to the tenure of land and public education, Prussia has, in the most marked manner, taken the lead in the civilization of Europe. There is no country whatever in which statesmen have appeared so distinguished for moral elevation, largeness of view, and varied political accomplishments. Whether we judge from the public facts of history, or from such works as the letters of Humboldt and the life of Niebuhr, the impression is the same; and it is fully borne out by the testimony of enlightened and dispassionate English observers like Mr. Kay, whose account of Prussian education[1], and the administrative system connected with it, proves the existence of a habitual regard for the welfare of the most numerous class, which it is by no means so easy to trace in our own selfish party contests. With such elements of sympathy and union, a close and cordial understanding between England and Prussia, of such a nature as to produce a perfect security, on the part of each ally, that the other might be counted upon when required, would be at the same time a guarantee for the peace of Europe, a removal of the temptations otherwise likely to be felt by Prussia to submit to Russian influence, and a great additional safeguard to England herself. To gain these advantages, some risks must be incurred,

[1] "The Social Condition and Education of the People in England and Europe," by Joseph Kay, Esq., M.A.

but they are risks necessarily connected with the duties of her position as one of the greatest of European nations.

Effect of disclaiming Foreign Relations.

If those duties are to be disclaimed, and if the tendency to maintain a position of complete isolation, which has been for some time so strongly felt, shall be completely carried out, then we ought not to shut our eyes to what the nature of the process will be. Prussia, left to herself, will have the most powerful reasons for falling back into those alliances which must confirm whatever retrograde tendency exists in her domestic policy. Meanwhile, the decline in the continental influence of England which has been long in progress will soon reach its final term. Men now living, and not yet old, can remember when the word of an English minister was a word of power wherever it was spoken, and when an injury or an insult to an English subject abroad would have brought punishment sharp and sure upon the wrong-doer; but that state of things has been gradually passing away under the influence of a conviction that England cares more for the extension of her commerce than for all the claims of generosity, freedom, and honour. The opinion has got abroad, that she would not sacrifice a cargo of cotton or sugar to save the liberty of a community which has been free since the days of William Tell, and that her desire for peace at any price will not allow her to press for even the most just reparation wherever she is likely to encounter resistance. The conclusion to which such a state of things leads cannot be doubtful. A nation supposed to be thus wholly absorbed in the enjoyment of the comforts with which prosperity surrounds her, will first lose all the sympathies which, in spite of misunderstanding, are still felt for one who once fought single-handed in the cause of Europe against the greatest power that the world has ever known. That old idea of England as the champion of liberty, long fading, will

become remote and historical, to be recalled only by some poetic mind from the force of contrast.

"'T is Greece, but living Greece no more."

They for whom she has ceased to care will in turn be profoundly indifferent to her fate, thinking only that it will point afresh the old moral of the great commercial histories of Tyre, and Carthage, and Venice. From the loss of respect to the infliction of humiliation, the transition is neither long nor difficult. The former has not yet quite gone, but the latter has begun; and why should not humiliation be endured? "This wealthy luxurious nation, which is only resolute on one point, that nothing short of downright attack shall compel her to strike a blow—why should one care for her reclamations, her protests, or her protocols? They mean nothing. There is no reason to dread her resentment, because she is too comfortable to resent anything. Of that old, fierce, yet noble indignation which was once so terrible, not a spark survives. She has grown fat and lethargic—eschews as a *bore*, and bad for digestion, all strong excitement, except of a commercial kind. Yes, she is harmless. She may be injured, slighted, spat upon. She is no longer to be feared."

A mistake, certainly, according to my view of the matter. A mistake, under existing circumstances, not unlikely to be made, but still a very great mistake, and one which would cause those whom it might tempt too far to pay dearly for their presumption: for, at some point in that progressive process of insult, the apparent torpidity which invited it would suddenly disappear. The sensitive nerve would at last feel the sting. Then would it be seen that the might of England was not less than it ever was—that her righteous anger, when once aroused, could still strike awe—that at whatever sacrifice, with disorder perhaps to commerce, disturbance to society, and danger to liberty, which might all have been avoided, but still, at any cost, she could and would vindicate that great law of international justice of which she is an appointed and responsible administrator.

CHAPTER IX.

National Defences.

"Narrerò solo quello che T. Livio dice innanzi alla venuta di Francesi in Roma cioé, come uno Marco Cedizio plebeio riferi al Senato avere udito di mezza notte passando per la via nuova, una voce . . . . . la quale ammoniva che riferisse ai magistrati come i Francesi venivano a Roma." Macchiavelli.

"Solon said well to Crœsus (when in ostentation he showed him his gold); Sir, if any other come that hath better iron than you, he will be master of all this gold." Bacon.

Use of Tools.

As long as evil passions are powerful in the world, such a contingency as that of war cannot be considered impossible, and for a nation like England, the cheapest safeguard against the evils of such a contingency, and the best security for peace, are to be found in the maintenance of armaments, adequate in magnitude, and thoroughly efficient. To this subject it is now a matter of great urgency that the common sense of the nation should be applied. The superiority of England to other nations in industry depends greatly on the prevalence of that habit which has given rise to the maxim, that whatever is worth doing at all is worth doing as well as it can be done. If, as we are sometimes told, this old practice of giving the last finish to the work, so that it may *wear*, and not merely so that it may *sell*, shall ever disappear, the materials will be all ready for a second Gibbon to surpass the first by a darker and more mournful history. But the maxim has still force, that whatever is to be done should be well done. Let us see how it applies to the present matter. To turn out any piece of

work properly, as, for example, in manufactures, what is required? Two things—good workmen and good tools. These are exactly what are wanted for the effective defence of England; no more, but certainly no less. In these two, however, a great deal is implied.

To begin with the tools. It is evident that the progress of civilization is continually rendering more complicated and expensive the instruments by which the labour of man is assisted. The numbers who hung, day after day, with an interest which seemed to grow by what it fed upon, over the specimens of machinery in the Crystal Palace, saw nothing in those magical creations but *tools*, intended to give the highest efficiency to human labour. But that which happens with the instruments of peace happens also with the instruments of war. Human invention is continually rendering them more effective for their purpose. Nor is this to be regretted, for the more sweeping and infallible the means of destruction become, the greater will be the reluctance of mankind to resort to the use of them. But this continuous improvement makes it unsafe for one nation to remain behind another in the efficiency of its military tools. Even the Duke of Wellington could not win a battle with the bows and arrows which did such good work in the time of Henry the Fifth, and the muskets of the Peninsula are only fit for the stars and trophies of the Tower armoury, at a time when it may be necessary to face rifles which strike their mark five times as far, and with fifty times the certainty. But this is no point for the dogmatism or disquisition of non-professional men. According to Blackstone, it is a sound and ancient maxim of the English law, that each man is to be trusted in his own pursuit. This, then, is a case in which full power, with full responsibility, ought to be given to those who are professionally competent to settle it. There is no one who would not rather act upon the opinion of Sir James Clarke, in a case of consumption, than upon that of the majority of the electors of Westminster; and for precisely the same reason the opinion of Sir John Burgoyne, or Sir Howard Douglas,

upon the equipment of the British army, should outweigh that of the majority of the House of Commons. To such men the decision should be left, and one may hope that under this head some useful reforms are actually in progress. But the dread of criticism upon increased estimates is still strong and prevalent, so that even military men, whose position involves the least civil responsibility, may be dangerously tempted to think more of cheapness than is always consistent with perfection in the workmanship.

Naval Administration.

In passing to the still more important and expensive tools which are required for naval purposes, we are in the sad predicament of finding the naval authorities divided amongst themselves. There must be something desperately wrong in this naval administration to yield results like those that have taken place. Externally it has an old, sleepy, superannuated look. It holds out upon the strength of what was done in its younger and more active days. Whatever was good in the old routine keeps going; but wherever provision has had to be made for new emergencies, the failures have been painfully conspicuous. Of the dispatch of transports, and the state of the victualling department, it is not necessary to speak; but in the whole business of ship-building, the Admiralty has been, to say the least of it, signally unlucky; and there are very strong appearances indeed, in favour of the opinion that the Government would get the work better done by private capitalists than it does in its own dockyards. This, however, is not a point to be decided without more information than the public possesses. But, however it may be decided, it is certain that the Admiralty is now the most important department of the English Government. Internally the people govern themselves, with the help of the newspapers. If in the course of some long night the Home Office, with all its bustle, were to be carried away by the Thames, it would be a considerable

time before the nation at large found any difference from its absence. Even the loss of the Foreign Office would not be without its consolations. And if the opinion of the colonies is to be regarded, consolation is by no means the word to express the feeling with which *they* would learn the total and irreparable destruction of the department which watches over their welfare. But upon the Admiralty all hangs. Internal peace, security of domestic industry, the regular revolution of that complex machinery of credit whose least disturbance is always wide-spread suffering, the stability of the whole majestic system of English freedom, and the inestimable treasures, intellectual and moral, which have been amassed under its shade—all depend upon the vigilance, energy, and foresight of that department to which the guardianship of the English coast is entrusted.

Admiralty Reform.

Beyond all question that department does require reform—radical reform. How the reform should be applied is not so clear to the unprofessional mind, but the results to be aimed at are perfectly clear; and two things, at all events, will seem, to ordinary common sense, to be amongst the means necessary for attaining those results. In the first place, the whole business of preparing the *machinery* of war, such as ships, should be so far under distinct superintendence and management, that those who are responsible for the management of fleets shall be unbiassed critics of the worth of the tools which are put into their hands. Without some arrangement of this sort there can be no effectual check upon bad workmanship in the dockyards. It is quite true, that means must exist for ensuring perfect unity and subordination in the whole series of labours which are intended to lead to one result; but it is no less true, that as long as the same men, who direct and are responsible for all active naval operations, have also to defend every blunder that may be made in naval architecture, such blunders will

continually occur, and continually impair the efficiency of the service.

Naval Estimates in the House of Commons.

The second point is more important still, and has reference to the manner in which the whole business of the Navy is treated by the House of Commons. In the discussions upon the Navy Estimates, the first point with the most vigilant critics is always the *amount*. The question of *efficiency* is second in order, and is habitually so dealt with as to make a Minister feel that if the Government is not strong (and no Government is strong now-a-days), there is no course so safe for him as economy. He may suffer a weak point in the defences to remain weak with impunity; but the enlargement even of a necessary item of outlay is sure to create discussion—always troublesome, often damaging, and will very possibly expose him to a hostile division. He lets the blot stand, trusting that it will not be hit, for the game must be played on somehow. Year after year the same thing goes on. The standard of what is right in such matters is lowered in the minds of those who constitute the executive. The process of dilapidation is permitted to proceed under this economical *régime*, until some unexpected event—as in the course of the present year—suddenly lifts the veil from the whole mass of crumbling ruins, and shows us at what enormous risk and cost all those slothful and short-sighted savings have been effected.

The critical function of the House of Commons is most valuable, but it should be applied to a different object. Waste and extravagance in themselves are bad, and to be punished; economy is in itself good, and, as a matter of justice, to be enforced; but in this matter economy is not the object of chief importance to any one. That which a Minister representing the Admiralty in the House of Commons ought to have, beyond all other things, to fear, is the detection of in-

efficiency in the department over which he presides. No criticism can be too searching, no attempt objectionable, to bring into the light the full details of an administration which creaks with rust in all its wheels, but the thing to be dreaded by every official, from the highest to the lowest, is, incompleteness in the work. An overcharge or excessive estimate ought here, if anywhere, to be venial; but the other delinquency is one grave enough to warrant the House of Commons in taking down and sharpening afresh that old weapon of impeachment which it has hardly used in earnest since the days of Strafford.

Men wanted who can use the Tools.

The previous remarks have had reference chiefly to the tools to be used in warfare. In this department England ought to be pre-eminent. From the manufacture of a matchlock to the construction of a man-of-war, she is able to do whatever human skill can accomplish. With nothing less than this has she any reason to be content. Having the hand of the cunning workman, and all the materials upon which he is to operate, failure can only be due to mismanagement. But far more important than the instruments of warfare is the temper, and training, and numbers of the men who are to wield them. "Walled towns," says Bacon, "stored arsenals and armories, goodly races of horse, chariots of war, elephants, ordinance; all this is but a sheep in a lion's skin, except the breed and disposition of the people be stout and warlike." Happily the breed and disposition of the English people *are* stout and warlike; but even this is not enough, for the bravest men on earth may be no more than food for gunpowder without *discipline.*

Discipline is a word of immense import. In this connection it means a training which enables men to act together. They can do so only by habits of exact obedience to command. Upon this nearly the whole power of civilized man depends.

Whether in war or in peace, it is all the same. Discipline is as necessary in industry as it is in fighting. But *habits* of any sort cannot be created in a moment. They must always be a work of time. You may have a number of intelligent men, familiar with figures and book-keeping, all ready, and yet find it hard to organize them into a bank. To create a new body like the Bank of England, without taking the materials wholesale from other banks, would be totally impossible. The machinery of that establishment has gone on revolving incessantly for more than a hundred and fifty years. Every new clerk who becomes a part of it is kept in his place and carried along, until he is used to the routine, by those who have been there before him. This is the quickest and surest mode of discipline, and yet this takes time. Imagine the business of the Bank of England handed over for a week to a body of volunteers! In every branch of industry, we find organization and discipline the conditions of success. How elaborate this organization is, may be seen in Mr. Babbage's analysis of it in his "Economy of Machinery and Manufactures." How important it is, and how difficult it is to create it, may appear from what has often happened in the cotton districts. In times of slack demand, when the immense productive power of the factories, still going on, has glutted the warehouses with goods for which there are no purchasers, it would often be a great gain to the capitalist to stop the works, and at the same time to stop the profuse outflow of his capital in wages. Yet that expedient is not resorted to, except in the last extremity, and mainly for this reason—that when once the "hands" of a mill are fairly dispersed, it is exceedingly hard to re-establish the organization. In other words, the millowners think it bad economy to disband one of their regiments, because, though they may fairly expect to have veterans to enlist from, when they want them, they know that, even with veterans, there will be delay, and blundering, and waste before the living mechanism can again get into order.

Military Discipline.

The judgment of those gentlemen in matters of business is so shrewd, or rather infallible, that nothing better can be done than to use the lights of their experience in arranging the military and naval defences of England. It requires about four months to prepare a recruit for taking his place in the ranks of a regiment of foot—that is, amongst men already well trained, and whose habits of discipline form a sort of groove in which he has no choice but to move along. All this is necessary for common infantry, who require less preparation than any other kind of fighting men; and surely it is not surprising, when one thinks of what they have to do. Many worthy people take a long time to learn the movements of a single set of quadrilles, and are apt to vote any novelty in that line totally impracticable. The foot soldier has to perform evolutions more difficult than those of a quadrille, exactly, and at a word—not, however, on a chalked floor, nor even on a parade-ground, but on the field of battle, amidst the roar of artillery, when the smoky air whistles with bullets, possibly in the face of a charge of dragoons, and when the foot may catch every moment in the body of a dying comrade. Men who cannot do this are not properly soldiers, and when such are sent to contend with veterans in an open field, they are little better off than sheep in the hands of a butcher.

Efficacy of Militia.

It is a matter of controversy whether militia-men, trained only for about a month in the year, can perform service of this sort. A militia is not the most effective kind of force, but its efficiency ought not to be undervalued. That the Duke of Wellington should ask for the militia, is a sufficient proof of its utility, and, if his opinion had been unqualified, there would be no more to be said upon the subject; but his proposition for reorganizing the militia was accompanied by this melancholy

remark, "that if he asked for regular troops he knew he should not have them." What a reproach to the statesmanship and intelligence of England, that he, wiser surely than others upon this point, taking in—as only such a mind can take in—all the possibilities, should be compelled to contemplate dangers to which others are blind, and be denied the effectual means by which those dangers might be averted! The authority of the Duke of Wellington, therefore, does not stand in the way of considering whether, if the necessity arose, a militia would really be able to bear the brunt of the attack of an invading army; and upon this point reasoning and experience tend to show that they could only serve as a useful auxiliary force[1]. It conflicts with all probability that peasants trained for a month in the year should be a match for veterans. The Spanish guerillas, though full of enthusiasm and natural courage, even with the aid of a mountainous country, could never stop the march of regular troops. The armies of Switzerland are a kind of militia, but the men have rifles in their hands all the year round. This life-long discipline in the use of arms it was, which enabled the fresh levies of Washington to face the English in the war of the Revolution; yet the authority of Washington was lately quoted by Mr. Osborne, in the House of Commons, to show distinctly how little reliable many of those soldiers were; and any one who follows the whole movements of that war will find no difficulty in believing, that if Great Britain, instead of having to operate across the Atlantic, had had only to contend with the same resistance at the other side of the Straits of Dover, Washington, pure and noble patriot as he was, might have ended his career in an English prison.

[1] The above was written before the debate of the 15th of June in the House of Lords. The speech of the Duke of Wellington on that occasion completely sanctions the view here taken, that is to say, that the militia is better than nothing, but regular troops much better than the militia. But the words of the Marquis of Lansdowne were most weighty, and should be well considered. He said, "One of the most lamentable things that could befall this country would be, the fancying that we had an army when we had it not," and that "*the best, the safest, and the most efficient of all remedies would be found in the increase of the standing army.*"

Prevalence of the Spirit of Retrenchment.

But this question might be safely left to military men to decide. It is rather a shallow prejudice which presumes that they *must* be biassed in favour of increasing the regular force. Men cannot live in any society without being affected by the reigning opinions. During the last twenty years, the principle of retrenchment has so completely got the ascendancy in England, that men of all classes habitually defer to it to a greater extent than their independent judgment warrants. The importance of small savings is so absurdly exaggerated, that it would not be at all surprising if our economical tendencies should place in jeopardy the efficiency of that which is the most essential and perhaps the least defective part of the social machinery, namely, the judicial bench. Whatever it costs to get the best learning and the highest character for that bench, is money well laid out. A great judge is more than a decider of property disputes. When his learning and intellect give weight to his words, and his moral perceptions are clear, and prompt, and elevated, he raises the moral standard, not only of the legal profession, but of the whole community. Yet there are reformers who speak as if the main thing to be considered was, how to cut a few thousands off the estimates, by putting up the judicial seats to a Dutch auction, and ascertaining the minimum for which second or third-rate lawyers could be got to take them. To this predominant passion for retrenchment, statesmen of all parties bow as soon as they get into office. There is no official achievement made so much of as the saving of a little money, though the concern of a great country like England in the amounts so saved is often much as if the owner of Chatsworth should look after drippings in his kitchen. Military men fall into the prevailing tone, not only from holding office themselves, but from intercourse with officials. It comes to be recognised on all hands as a settled thing, that what is needful must be done at a certain expense which the House of Commons will sanction, but that the out-

lay is not on any account to go beyond that limit. This renders it quite certain that military men of high rank, like Lord Hardinge, who hold or have held office, might be very safely entrusted with the power of deciding whether or no any new regiments were advisable. One point remains before leaving this part of the subject. Even if it be admitted, that a militia force may, to a certain extent, supply the place of regular foot soldiers, it is not admitted, nor does any one imagine, that it could supply the place of cavalry. Whether, therefore, this most important arm be strong enough, is a point also which ought to be settled by a professional and not by a political decision.

Manning of the Navy.

A more important question relates to the manning of the navy. This is the heart of the whole matter. Is the manning of the navy such as to make an English minister feel at ease with respect to the safety of the country, in the event of great changes taking place on the Continent with the suddenness which we have lately seen to be possible? The question is not as to the efficiency of any crew now afloat. Assuming that every ship which is in actual service has her full complement of men, it may also be assumed that she is ready when called upon to do her part in the old style. But the question is, are there a sufficient number of crews organized for the defence of the coast? For here it must be evident that there are no means of *suddenly* supplying a deficiency. The crew of a man-of-war, in order to be up to its work, wants a great deal more of preparation and discipline than a regiment of foot, or a body of cotton-spinners. For, in the first place, landsmen, however brave and strong, are of no use at all, but the contrary. Men who have neither legs nor stomachs nor hearts for the sea, are a nuisance on board a ship. You are therefore restricted to one limited class, that is to say, to those persons who may be said to have lived upon the water from boyhood.

And are such men to be had the moment they are wanted? Far from it. Hitherto they never have been obtainable on the sudden without impressment, and not always with it. The want of seamen during the late war was often so great, that any bricklayer, nursery gardener, or tailor, who looked tolerably muscular, and had made even a voyage to Margate, might find himself suddenly whipped on board a man-of-war, though certain to prove when there only a wretched and useless encumbrance; but the press-gangs were themselves too hard pressed to make up the required number to be very particular in their selection. But even *if* impressment were certain to be effectual, could it now be employed? Impressment means much; it means the getting together of crews by the most brutal violence, of men therefore reluctant and resisting, and some of them savagely resentful. It means, as an inevitable consequence, habitual flogging as the only instrument of discipline, and the consequent prevalence of a state of feeling amongst seamen, during which there never can be any safeguard against such events as the MUTINY OF THE NORE, probably the greatest peril to which England was ever exposed. Impressment, therefore, is bad policy, even if the humanity of the present age would endure it. But, politic or impolitic, it would not be borne for a week. We are able to sleep soundly enough over frightful social evils which keep beneath the surface; but we are as sensitive to any open and glaring hardship as sore eyes are to the light of the sun. An age which can hardly endure the execution of the most atrocious criminals, and which is strongly inclined to think that all military punishments might be commuted for a little gentle scolding, would much rather see the Lord Mayor of London go out with his plate of keys to a conqueror, and then feast him in Guildhall, than witness from day to day the really revolting cruelties which are always connected with impressment.

Nature of Naval Discipline.

If the necessity ever shall arise, therefore, for a greater number of seamen than those who are now afloat, it must be otherwise provided for. But this relates simply to the one point of securing the *men*. The men, when secured, are still only the materials out of which *crews* are to be composed, for the crew of a man-of-war is a piece of human machinery, than which there is no one more complicated or more difficult to get into order. It is for naval men to say what training is sufficient; but many months at the least must be requisite to establish such a concert amongst several hundred men that they shall all act as one, not merely in a tempestuous sea, but under a raking fire, with masts crashing overhead, and splinters as dangerous as balls flying from the bulwarks at every shot. Imagine the time and trouble which it must have taken to get up the discipline of a ship, as was done in the *Dreadnought*, and probably in others during the last war, to such a point, that three complete broadsides could be fired in the space of three minutes and a half. The discipline of a man-of-war is not only hard to get up, but so hard to *keep* up, that a few months of an incapable commander are at any time enough to deprive a crew of one-half of its efficiency. From all this it follows, that whatever number of men *may* be wanted upon an emergency *must* be provided and organized beforehand, for otherwise they will not be forthcoming.

A Naval Force, for Emergencies.

There is no reason for keeping ships in readiness, except to meet emergencies, and it is a mistake to suppose that the emergency is provided for by an inadequate force, merely because that force seems excessive *while it is lying idle*. The shrewdness of commercial intelligence is seldom at fault in cases of this kind. It knows how to compare the work to be done and the force that is to do it. Take, for example, the case

of a London morning paper. There are few kinds of work so difficult, and probably not one more admirably done, than the reporting of the parliamentary debates. But an efficient reporting corps is organized not for ordinary, but for extraordinary occasions. If any one were to observe, on some Tuesday or Thursday evening, fifteen or twenty gentlemen of high education and intelligence driving backwards and forwards between the House of Commons and a distant printing-office, to record the stale trivialities of some sleepy discussion, all the *pros* and *cons* of which could be given by any one of those gentlemen in an hour, without going to the House of Commons at all, such an observer would certainly think that there was an immense expenditure of power for a very small purpose. But if it happens very soon after that an occasion of great importance calls forth, from many leading statesmen, opinions which the whole empire is anxiously looking for, then all that powerful organization is called fully into play, and the speed, the completeness, and the finish, with which the multitude of winged words are arrested and arranged, result, and can only result, from the union of large numbers acting under a perfect and habitual discipline. The wonders of reporting—and the more the process is looked into the more wonderful it will appear—are only accomplished by establishments which do not shrink from an outlay so great as often to seem extravagant in proportion to the work done. But if ever a spirit of grudging economy is applied to a reporting corps, the result is invariably the same. The great occasion which is the true test of its efficiency has to be met by makeshifts and sudden substitutes, and never fails to be signalized by blundering and breaking down. It must be exactly the same with the Navy. It is useless to compute how many men and ships are wanted, merely for sailing-matches or for quiet cruising in the Channel. The proper number is that which will serve to defend the coast, whenever the coast requires to be defended. But then the cost? The cost is the cost of insurance. All the insurance offices live upon payments in exchange for which they give

nothing but the mere *feeling* of security. Whenever they have to pay upon a policy, it is to them so much loss, and the business could not go on at all, if there were not hundreds willing to pay the premium for one who has to claim the compensation. It is now thought almost disgraceful in a private person to neglect insurance. What should such neglect be thought in a nation—in a nation having greater treasures to insure, and easier means of insuring them, than any other in the world?

Steam Tactics.

The new element of steam makes the necessity for precaution much greater than before. It completely supersedes a system of warfare in which England at all events had established a superiority, and must introduce another in which she will have to start as it were afresh, and on equal terms with her rivals. No one knows or can know to what changes in naval tactics this single cause may lead. We have seen, indeed, what wonders steam ships can do in the way of bombardment, and against Asiatics, and nothing could be more unjust than to cast a slight upon the brilliant achievements of the English Navy in Syria and China; but the great naval battles, in which the tug shall be of Greek with Greek, are all yet in the future. And the character of that future may be mainly determined by ideas now working in the brain of some smooth-faced lieutenant or some nimble topman, just as the military genius which astonished the old tacticians at Monte Notte belonged, twelve months previously, to a young artillery officer, who was sauntering about the streets of Paris in want of employment. Nor is it at all impossible for naval heroes to be born at both sides of the Channel. St. Malo before now has had her Duguay Trouin, and Dunkirk her Jean Bart, who, as the enthusiastic French historian[1] tells us, did, in their day, give matter for thought to the people of Plymouth. If anything of the sort should

[1] Michelet.

occur again, one would certainly hope to see in that most magnificent of harbours a little more activity than was shown in the matter of the *Amazon*.

Age of Naval Commanders.

One more remark must be added upon a point of considerable delicacy, but which ought not to be withheld because statesmen, whatever they may think, do not speak of such things, and journals, like judges, only pronounce opinions when some overt acts are brought in question before them. The Admirals of England are no doubt all possessed of the gallantry which belongs to the profession, and we know from eminent instances to how late a period the energy of command may survive; but it must still be considered a doubtful policy, to observe something like a rule of not entrusting the highest commands, except where the threescore years and ten commonly allotted to the life of man are nearly or altogether completed. It certainly was not by the observance of this rule that Wellington, Napoleon, or Nelson, was enabled to win great battles, but it *was* by the observance of this rule that England sustained that calamitous reverse, which has made the disasters of Cabul as memorable in English military history, as the loss of Varus and his legions was in that of Rome.

The Artillery.

There yet remains one branch of the national defences upon which nothing has been said, and the efficiency of which still more evidently depends upon an elaborate apparatus and an elaborate education. Is the condition of the artillery what it should be? Whatever it be, it is certain that if it should fall to the lot of a commander to defend England, he will have to rely solely upon such men and equipments as he finds actually ready, for neither by the militia, nor by volunteering, nor by

impressment, nor by any imaginable short cut, can you call into existence a considerable force of artillery. It is here as it is in the different departments of industry; every step of progress implies the use of more complicated and expensive machinery, and the more machinery is used, the more there is need of skilled labour to direct it. The hard work is done by the machine, but the guidance and efficiency of it require the disciplined human intelligence. Now it is pre-eminently true, that military success has become more and more dependent upon that combination of machines and skilled labour which is found in the corps of artillery. The Duke of Wellington's one remarkable failure in Spain—that before Burgos—was a failure for want of artillery; and there is probably no kind of force in which France, both from natural aptitude, and from the traditional system left by the Empire, is more brilliant and effective. Now of the inadequacy of this all-important artillery force in England very strong representations have been made, without, so far as I know, receiving any satisfactory reply[1]. Ten thousand artillerymen at most are scattered over a chain of garrisons and stations in all parts of the world. At Gibraltar, Malta, and the Ionian Islands, there are said to be more than twelve hundred pieces of heavy ordnance, and those guns have rather less than one man to each of them, five being about the number which a gun requires to work it. Then there are the garrisons of Quebec, Bermuda, St. Helena, Ceylon, Hong Kong, and one knows not how many others, to all of which England is wedded for better for worse, for the greatness of empire never permits recession of the frontier. All that she holds she must try to keep, if she desires to be free to keep anything. All these garrisons, however, must have their draughts out of the corps of artillery, and the few that are left are all that England has to rely upon for her own protection.

[1] See, especially, an article in the *Quarterly Review* for March, 1848, evidently from a writer perfectly conversant with the subject.

The Dockyard Battalions.

The inadequacy of this corps, and the influence of the reigning spirit of economy on all Governments, are shown in the expedient adopted for strengthening the artillery force. The artizans in the dockyards are a very intelligent and superior class of men, and it was a good thought to organize those men into battalions, and train them as gunners, so as to enable them in an emergency to aid in the defence of the great naval stations at which their work lies. But it could never have been reasonably expected that those men would perform all the services which are supposed to require at least two years' drill, and exclusive attention. Scarcely, however, has this auxiliary force begun its amateur practice, when the spirit of economy transforms it into a complete and universally available corps of artillery. It is to do hard work in sawing, and hammering, and welding, and yet be ready to scamper off with hundreds of heavy guns to some distant point of the coast to oppose an invader. Such was the service which one of the most far-sighted of English ministers seemed on one occasion to expect from those dockyard battalions. He was asked by the writer to whom reference has been already made, whether he knew where to lay his hands on the carriages and horses necessary for this operation; whether he was aware of the difficulty which men had in acting as efficient drivers, "of the time and care required to teach an artillery soldier how to keep his distances on the march and in position," and of the pains that must be used before venturing to harness horses to artillery, "so that they may be able to bear not only the noise of great guns, but the fall of innumerable projectiles about them, and the crashing of the machines which they may be in the very act of drawing."[1] It is impossible to avoid the suspicion that the eminent person to whom those queries were addressed had not fully present to his mind the nature of the operations which he supposed to be

[1] *Quarterly Review*, March, 1848.

practicable. The dockyard battalions are worthy of all praise, but they can scarcely be a second corps of artillery. Moreover, it is driving a very hard bargain in behalf of the State, to expect, in return for a single payment, the work of a skilful artizan, and also the work of an accomplished artillerist. They are not accustomed to throw away money in Lancashire, but still the wages of the hands are never expected to serve instead of a police-rate.

Morality of Force.

Before leaving this subject, it is necessary to take notice of the impressions of a class of minds highly deserving of respect, to whom reasonings and calculations like those of the present chapter will seem not so much erroneous as revolting and abominable. They have a vague but very strong notion, that the whole business of war is demoralising to those who engage in it; that every extension of the military and naval profession, therefore, ought to be resisted as an evil far outweighing any good that it can accomplish. Those, however, who have this feeling are rarely consistent, for there is no argument against armies or navies which does not go to the renunciation of every exercise of physical force—an extreme to which none but the most extravagant theorists are found to venture. Few think it wrong to resist the midnight burglar, or would hesitate to use the surest means of protecting wife or child from outrage. It may often become the most sacred of duties to use force, to avert injustice from the weak and innocent; and if this be once accorded, the same principle must apply to all kinds of force, from the vigorous push or the unarmed fist, to the line-of-battle ship and the park of artillery. It is true, indeed, that the abuse of a military organization is a most fearful crime. He who holds such power, holds it under an awful responsibility. It is thus at every step of human progress. The capacity of evil is enlarged at the same time with the capacity for good. But the God of armies *does* count armies amongst the instru-

ments which may be used in his service, and in which, therefore, duty may be as faithfully performed as at the plough or in the pulpit.

Soldiers and Traders on Moral Questions.

Those who insist on the immorality of a military class, are horror-struck at irregularities to which they have no inclination themselves; but a military moralist is sometimes able to turn the tables with considerable effect. An eminent officer not long ago took notice of some reflections cast upon his profession by certain mercantile civilians at a peace-meeting, in which the evils of the Caffre war were rather coolly set down to the military government of the Cape. The officer in question begged to be informed by what class of persons the Caffres had been supplied with the muskets and ammunition which had been, and still continued to be, smuggled to them in violation of the law? It would hardly be said that it was the work of the military? It is unnecessary to criticise the reply. The blow, coming from one of a family who hit equally hard with the pen and the sword, was too heavy and downright to be easily evaded. The arms with which the Caffres are able to slaughter English troops are regularly and illegally supplied to them by English traders. Yet the meanest soldier in her Majesty's service would not be guilty of this baseness. Nor can it be said that this kind of mercantile immorality is altogether a rare and exceptional thing. It must be remembered, that very nearly the greatest crime that has ever stained the history of a nation was a branch of commerce; and so deeply was the mercantile community interested in the slave trade, that Clarkson's abolitionism, on one occasion, nearly cost him his life amongst a mob of Liverpool merchants. At this moment, what is the service of the African squadron, but an effort of the officers and crews of certain ships of war to uphold the most sacred of all lawsagainst the avarice of Spanish and Brazilian

traders[1]? What does this prove?—that the military class is better than the mercantile? By no means; but that the latter has its own peculiar and terrible temptations, which should restrain its uncharitable censures of the former.

Morality of Military Discipline.

The position of a military class, when considered upon any large view, contains in it much that is favourable to a high morality. The subjection of individual impulses to an inflexible law, is the foundation of all greatness of character. But this subjection runs through the whole course of a military life. In no other class is there a more prompt and resolute answer to the call of duty. Personal comfort, personal safety, the dearest affections of family, everything gives way; and this takes place so habitually and universally, that a military or naval officer would feel degraded if he found in himself a moment's balancing or hesitation. Add to this the hardship of service and the frequent presence of danger, and the result is as complete a surrender of self as is exhibited by any other class of men whatever[2]. It is doubtful, indeed, whether the same amount of practical every-day heroism is to be found on so large a scale anywhere, except amongst members of the medical profession. They, like soldiers, are habitually ex-

[1] The maintenance of this squadron is grievously endangered by the spirit of retrenchment; but it will hereafter be the most honourable trait in the historical character of Lord Palmerston. The principle of keeping up the force is of course the same, whether the best place for it be the coast of Africa or that of South America, but its continuance alone saves the honour of Great Britain in the matter of the slave trade.

[2] See, on the subject of military morality, "Lectures on Class Morality," by W. J. Fox, which are full of eloquence and thought. Mr. Fox's leaning is strong *against* the military profession; but his mind is too just and comprehensive not to perceive many of the high moral qualities displayed by military men. Upon the moral effects of a restraining discipline generally, there is a chapter of great value in Mr. Mill's "Logic of the Moral Sciences."

posing their lives, and they have the peculiar distinction of being always in active service.

Examples: Lord Collingwood.

General reasoning, however, upon the morality of fighting men is less impressive than exemplification by living instances. Those who doubt whether the highest and purest morality is possible where the hand is for ever on the sword, should study the life of Lord Collingwood[1]. No heart was ever more full of soft affections, or more exquisitely fitted for the enjoyment of domestic happiness. He had a wife and daughters, to whom he was devotedly attached; but only a few short months out of many years were all that were allowed him for personal intercourse with those objects of his love. He lived upon the sea, constantly intent upon his work, and upon the welfare of all who aided him in doing it, from the captain of his flag-ship down to the meanest cabin-boy. He sought no personal honour or promotion. He did not know the feeling of jealousy. He rejoiced in the triumphs of Nelson as if they were his own. His life was governed by the idea of duty. It was spent and sacrificed in the defence of England. Nothing can be more touching than the image presented of him during his long monotonous watches of the French ports; often walking the quarterdeck night after night, while he sent his over-wearied lieutenant to take some rest—sometimes himself snatching a brief and hurried sleep upon a gun, then starting up and sweeping the horizon with his night-glass, lest the enemy should escape in the dark; then suffering the thoughts to wander off for a moment to that distant Northumbrian home, where the chair had been so long vacant, and where hope, sickened with disappointment and waiting, had almost become

[1] "Memoirs and Correspondence of Lord Collingwood," by G. L. N. Collingwood, Esq. Of this publication Southey said most truly, that it was "a national good," and that "it ought to be in every officer's cabin and in every stateman's cabinet."

despair. And so the years wore on, and infirmities grew upon him, though he was not old. He begged the Admiralty to release him; but the request could not be granted—England could not spare him. He began to feel worn out. He was weak and tottering on his legs. The confinement to the ship was evidently killing him, and his friends urged him to surrender his command. But until the higher authorities relieved him he would not quit his post. He said that "his life was his country's in whatever way it might be required of him." She required it, and she had it. After much suffering he gradually sank, and died in the Mediterranean. And so ended that pure and beautiful life, the last thoughts being divided between family and country, and all constantly combined, as his biographer tells us, "with calmness and perfect resignation to the will of God."

It may be said, perhaps, that Collingwood was an exception —one of the more educated and favoured class—and that such a case proves nothing as to the moral influence of naval or military discipline. Unquestionably he was one of Nature's favourites. The visits of the celestials are few and far between, and, like Æneas, we rarely recognise them until the radiant fect have passed away from the earth; but we may turn to a class which is not supposed by any to be peculiarly favoured. It has been often mentioned as a wonder, and sometimes as a reproach, that the rank and file of the British army are composed of bad materials. The notion is, of course, an error, because good soldiers *cannot* be made out of bad materials. But it is true enough that recruits are constantly drawn from a class which is exposed to numerous and powerful temptations. But, whatever be the immorality of that class, the discipline of the army does much to raise its members in the scale of humanity. A proof will occur to the recollection of every one, from the circumstances connected with the shipwreck of the *Birkenhead*. Who can forget that memorable scene, and, amidst all its touching details, that pre-eminent fact of the perfect

order and obedience of the troops up to the very moment at which the ship went to pieces? That wild impulse to self-preservation which so often breaks through the strongest restraints, was there completely subdued. The law of discipline was sacredly observed to the last; and when the duties which were commanded could no longer be performed, those brave and faithful men went down, in calmness and silence, to inevitable death.

PART III.

PATH TO THE REMEDY.

"Every kingdom divided against itself is brought to desolation."—Luke xi. 17.

CHAPTER I.

Theories of Social Progress.

> "Yet I doubt not thro' the ages one increasing purpose runs,
> And the thoughts of men are widen'd with the process of the suns."
>
> Tennyson.

Different Kinds of Progress.

The belief that society is in a state of progressive improvement is either consciously or unconsciously mixed up with reasonings now widely prevalent, and influencing the conduct of men. But the conception of the nature of such improvement is rarely precise, and as rarely found in connection with a distinct hold of the grounds on which the belief in progression rests. Without going into metaphysical niceties, we may distinguish three ways in which either a particular nation or society generally may be progressive. It may advance in material wealth, and of course in the arts subservient to the creation of wealth, as has evidently happened, and is now happening, not only in England and the United States, but to a greater or less extent in all the countries of continental Europe. It may advance, not uniformly but still continuously, in the discovery of truth, as has been the case with European society from the earliest times to the present moment, in physical science. Lastly, men or nations may be conceived as capable of a *moral* advance, as showing, therefore, in their lives a continually growing ascendancy of the higher or moral over the lower or animal faculties; in a word, as becoming, from time to time, more veracious, more just, more pure, and more full of love.

The popular notions of progress are drawn from the immense advances which have been made in this country in wealth and the industrial arts, during the last century, and which *do* prove an enormous growth in the power of man to render nature subservient to his wants. This industrial progress is often regarded as necessarily involving in it all kinds of progress; and not only those whose minds are engaged in actively carrying it on, but those more studious persons whose attention has been chiefly fixed upon its principles, are apt to resent, as folly, or false humanity, or downright dishonesty, the doubts and criticisms of others, who fancy that the play of all this mighty mechanism is attended with a fearful increase of uncertainty and gnawing care, and, worse still, an unnatural stimulation of the animal passions, ruinous both to body and to mind. The popular belief in general progress is further confirmed by the authority of works in which the scientific advances of mankind are set forth, in a lucid and attractive form, by thinkers of eminence, such as Sir John Herschel's "Discourse on the Study of Natural Philosophy," Professor Whewell's "History of the Inductive Sciences"—works both of them certainly of the highest value,—but still more perhaps by such a production as the "Kosmos" of Humboldt, in which all the treasures of human discovery are brought together in one grand and overwhelming combination, and in which speculative studies of the widest range, and a personal experience rich beyond parallel, concur in representing all the great men of our race, and all the families of which it consists, as consciously or unconsciously contributing to the attainment of one great and ever-growing yet harmonious result. In reading that wonderful work, which could scarcely have arisen anywhere but in Germany, in which physical science, in the whole of its wide extent, is taken up into the region of imagination, and by the transmuting power of genius reproduced as poetry, it is difficult for the mind, spell-bound and carried away by the charm, to avoid forgetting the fact that sin and unhappiness surround us—nay, are within us, and that this deified human intellect is still

the companion of low wants and unworthy aims, and its cry of anguish far sharper than was ever heard in those early days, when on the wide plains and under the clear skies of hither Asia, the founders of science first cast their eyes upwards to the ever-during stars.

The idea of a continued progress of mankind, not only in knowledge but in virtue, is comparatively modern. The earlier and long prevalent notion was that of a certain circular movement in the life of nations corresponding to the life of the individual in its successive stages of youth, maturity, and decline. Such, to go no earlier, was in substance the theory of Vico in his *Scienza Nuova*. A view somewhat similar was taken by Herder, in his great work on the "Philosophy of History," though the condition of the human race, considered as a whole, seemed to him to be progressive. In his mind, however, the two distinct conceptions of intellectual and moral progress were not separated with precision, and he generally assumes, without attempting to prove, that an increase of knowledge must bring with it an increase of virtue. But the idea of an indefinite moral progress has more immediately come to us, singularly enough, from a work written by a fugitive from the emissaries of Robespierre, and one who ultimately committed suicide in prison to avoid the guillotine. It is impossible not to admire the courage, and to lament the fate of Condorcet, but his sketch of the progress of the human race is a shallow performance. It was an attempt to expound a law manifesting itself amidst the most complex and multitudinous phenomena with which the human mind can deal, and Condorcet had scarcely even that imperfect acquaintance with the facts, which sometimes enables the intuitive glance of genius to anticipate the results of investigation. The way of thinking prevalent in France at the close of the last century was indeed a dogmatism as narrow as that of any theological sect, and Condorcet did little more than interpret the philosophical orthodoxy of his contemporaries.

Theory of Comte.

By later writers two great theories of social progress have been offered, which are of much higher pretension. One of these is from a French thinker, M. Comte; the other from Hegel, a German. In the brilliant history of French science, there is scarcely a greater name than that of M. Comte; but the character of the national mind is strong in him, and no thinker whose training has been either English or German will admit that the French mind occupies the highest level in the moral sciences. The French intellect developes not merely with completeness, but with rapidity and beautiful clearness, whatever is susceptible of demonstration. Along the various lines of the exact sciences, it flashes as it were from truth to truth, somewhat in the fashion of Newton, who is said to have often passed from theorem to theorem of Euclid in early life without going through the reasonings. This rapid mathematical movement of thought is apparent in everything. The French people work out general maxims deductively to their extreme results in morals and politics in the course of a year, whilst a century would hardly accomplish the same process in England. But this quickness in perceiving truths logically related is of no avail, but rather the contrary, when it becomes necessary to deal with the moral nature of man, of which the phenomena are wholly different; in which convictions are found firmly entertained by the best minds after very wide inquiry, which no dazzling fence of logic can disturb, and which hold their ground by a kind of calm self-assertion in the teeth of all possible logical summonses to disappear.

Gibbon, whose massive intellectual character, in spite of its defects, gives weight to his opinion, rejoiced that he had discontinued mathematical studies before they blunted his perception of the finer feelings of moral evidence. And Plato's famous requirement of geometry at the entrance to the Academy, evidently pointed to that science as merely a *preparatory* discipline, necessary for those who aspired to a higher kind of truth. I do

not presume to disparage mathematics, of which I know very little, but only desire to show that the mathematical genius of the French people, which is well represented by M. Comte, is not that which is most likely to discover the true law of social evolution. The tendency of that mind, running on as it were under a single impulse, is to plunge deeper and deeper into error in proportion as it gets into the complexities of actual life and practice. I observe, therefore, with pleasure and without surprise, that in the third edition of his Logic, Mr. Mill, who has more than any one else made M. Comte a great authority in England, finds it necessary to say that "no writer who has contributed so much to the theory of society, *ever deserved less attention when taking upon himself the office of making recommendations for the guidance of its practice!* If the power of prediction be the test of scientific truth, these errors of M. Comte might have suggested some doubts of the soundness of the theory from which they were derived; but I accept this valuable testimony as one of the many evidences of Mr. Mill's unswerving loyalty to truth, and as a means of putting the reader in a fairer position for judging of the merits of M. Comte's theory.

One other disqualification of the French mind for arriving at the most comprehensive truth is, the violence with which it forces into its own moulds all new thought coming from without. No matter how foreign its origin, a new idea must always become French in order to obtain admission. Hence some of the most original productions of foreign thought never get access to the French mind at all. Goethe is scarcely recognisable by his admirers in a French dress, and Shakspeare, almost as much at home and honoured at Berlin as in London, is still a barbarian at Paris. All the forms of human existence are French to the French eye, just as the priests and the warriors of Homer, the citizens of Rome, and the chivalry of Spain, are all compelled to speak the language and wear the dress of the Court of Louis XIV. in the tragedies of Corneille

and Racine. It is not likely, *à priori*, that the true and complete theory of social progress would take its rise amongst such a people.

The fundamental principle of M. Comte, however, is one of which the solidity is incontestable. It is, that all great changes in the social condition of a people are preceded by changes in their *convictions*. The convictions or beliefs, those, namely, which are felt to be thoroughly real, and are therefore acted upon, are the *causes*, and the external condition always an effect. Hence, if any order could be traced in the succession of real beliefs amongst mankind, we should have at once a corresponding order of states of social existence, or, in other words, the law of social progress. M. Comte's theory is, that upon all the great subjects of human inquiry, the earliest convictions are theological, implying a belief in supernatural power; that subsequently the mind attains the metaphysical stage, in which phenomena are referred to abstractions as their causes; and, lastly, the positive, in which nothing is held to be true or knowable except actually observed facts and their relations. Each science is supposed to pass through the three stages: mathematics and astronomy having reached the positive stage, while chemistry was only germinating, as it were, in the metaphysical absurdities of the alchemists; and chemistry having now become positive and rapidly progressive, while morals and politics are still immersed in metaphysics and theology, and hopelessly revolving within the same limits which have ever confined them. The test of true or positive science is, that it gives the power of prediction, or, which is the same thing, that it can be turned to practical use; and, as the science of human nature will be the last to attain the positive stage, we must wait for its development before we can settle the highest questions of morals and religion, it being indeed a point of practical wisdom to put questions of religion aside altogether, as having to do with something beyond the reach of the human faculties.

It is not to be denied that this theory is comprehensive,

beyond anything of the kind that was previously suggested. No one who has not examined its applications to history and to life, and studied M. Comte's own masterly exposition of it, can have any conception of its grandeur. Still it is only a theory, and must bow to fact. I find myself compelled to reject it, because it does not explain, but flatly contradicts, the greatest fact in the history of man, that is to say, Christianity. M. Comte's theory can give no better explanation of Christianity, than that it is one of those theological convictions which are useful in the infancy of nations, but which give way before the advance of positive science. It appears to me that, great as is the portion of truth which M. Comte has systematized by his theory, that portion which he has overlooked is still greater. One practical inference which he draws from it, with the most rigorous logic, may serve as a test of its value.

Theological convictions being only preparatory, become at a certain stage *obstructive*, and therefore their removal is an indispensable step to social improvement. Hence France—where, with one or two splendid exceptions, like Guizot or Montalembert, men of intellect will only sanction Christianity as an instrument of police—is at a higher point of social progression, and more fit for improved institutions, than England, where Christianity survives, and still commands the obedience of superior minds. This logically-proved superiority of France to England would be quite sufficient to convince me that the theory which yielded such a result must be erroneous, even if I did not see where the error lay; but the error evidently does lie in its disregard of the fact, that the convictions most essential to the existence of society, namely, those which cause men to submit to moral restraints, are not produced by purely intellectual influences, and that a readiness to receive new intellectual impressions may be accompanied by that progressive relaxation of all moral ties which is identical, not with social improvement, but with social decay. Some further remarks upon M. Comte, and upon his very just and comprehensive con-

ception of the services rendered by the Roman Catholic Church to society during the middle ages, will occur better in a subsequent place, and in the mean time I proceed to add a word or two upon the theory of Hegel.

Theory of Hegel.

The theory of Hegel is only known to me through the account given of it by Archdeacon Hare[1], but his capacity and fidelity as an interpreter, philosophical as well as linguistic, are such as greatly diminish my regret at my ignorance of the original. It is, in effect, that the various powers in human nature suggest a certain harmonious development and subordination, in which perfection would consist; that this perfection has not been and is not attained by the individual, but that it must be conceived of as being in a course of progressive attainment by the whole human race. Every faculty will at some time or other have its full development, and the collective mass of mankind continually, but indefinitely, approximates to the state in which the moral faculties will be supreme. This theory may fairly vie with M. Comte's in the majestic sweep which it makes over the phenomena of human life. But it is not more free from error. Archdeacon Hare signalizes the fact that the theory does not take account of the one effective instrument of moral elevation, namely, Christianity. Indeed, the German admirers of Hegel would probably not think it a slanderous misrepresentation of his idea to embody it thus. It is God gradually coming into life in the universal consciousness of the human race.

This theory, like M. Comte's, discloses its weakness when brought into comparison with facts exhibiting the moral condition of races and nations. It would be hard to trace the working of Hegel's principle during two or three thousand

[1] "Guesses at Truth," Second Series.

years of stationary life in China and India, or in the nomadic tribes whom Mr. Layard and Mr. Walpole picture to-day as their ancestors existed in the days of Abraham.

The result of this survey is, that, apart from Christianity, no scientific ground has yet been established for a belief in the *moral* progressiveness of the human race.

CHAPTER II.

National Decay.

"A thousand years their cloudy wings expand
Around me, and a dying glory smiles
O'er the far times, when many a subject land
Look'd to the winged lion's marble piles,
Where Venice sat in state, throned on her hundred isles!

"She looks a sea Cybele, fresh from ocean,
Rising with her tiara of proud towers
At airy distance, with majestic motion,
A ruler of the waters and their powers:
And such she was;—her daughters had their dowers
From spoils of nations, and the exhaustless East
Pour'd in her lap all gems in sparkling showers.
In purple was she robed, and of her feast
Monarchs partook, and deem'd their dignity increased.

"In Venice Tasso's echoes are no more,
And silent rows the songless gondolier;
Her palaces are crumbling to the shore,
And music meets not always now the ear."—Byron.

Moral Progress and Decay in Individuals.

If the belief that the human race is moving onwards in a state of uniform moral progression, be in any degree difficult to reconcile with the facts of history, the same thing cannot be said of the belief that particular nations run through successive stages somewhat like those which we mark in the individual as youth, maturity, and decay. This latter opinion was expressed by Bacon in these pregnant words. "In the youth of a State arms do flourish:—in the middle age of a State

learning, and then both of them together for a time; in the declining age of a State, mechanical arts and merchandize."

Looking to the changes which take place in individual character, it is to be feared that moral decay is more common than moral improvement. The courageous truth, the overflowing affection, the prompt self-sacrifice which so often make youth beautiful, are not so apt to be manifested in advanced years. On the contrary, the glorious promise of the dawn is often overcast before the sun is yet midway in its course. The warm impulse gives way to the cold calculation, and the heart, which at the outset of life was a fountain of noble feeling, becomes closed and withered up, and "dry as summer dust," before it returns to the source from which it came. One of the aspects of this truth appears in the well-known lines of Wordsworth:—

"Heaven lies about us in our infancy;
Shades of the prison-house begin to close
Upon the growing boy.
But he beholds the light, and whence it flows:
He sees it in his joy.
The Youth who daily farther from the East
Must travel, still is Nature's Priest,
And by the vision splendid
Is on his way attended;
At length the Man perceives it die away
And fade into the light of common day."

This gradual loss of the heavenly light does not indicate moral progress. But if particular men may become hard and selfish, and sink into every kind of moral degradation as they advance in life, such a thing cannot be impossible for societies of men, that is to say, for nations. Accordingly this fact of national decay is not only possible, but one of the most familiar to be met with in history.

Greece and Rome.

The career and fate of Greece are known to every reader. The unrivalled intellectual power and deep sensibility to

beauty of the contemporaries of Pericles, did not save others who belonged to the same stock, and who still remained pre-eminent for mental accomplishments, from that moral decay which rendered them the scorn of the Romans. The adroit Greek adventurer, who could assume every shape for money, was in the times of the Empire the ideal of all that was mean and contemptible. Neither did the coarser but more vigorous fibre of the Roman national character hold out against corrupting influences. The descendants of the Scipios cared more for their fish-ponds than for their liberties in the time of Cæsar, and the depravity and worthlessness of the same aristocracy in the time of Tacitus was something which the modern imagination finds it difficult to conceive. The intensity of the evil is only fully brought out where the light of Christianity is thrown upon it, as is done in the epistles of St. Paul.

Italian Republics.

The advance guard of modern European civilization consisted of the people of Northern Italy. The virgin soil of the fresh Lombard race was the first to receive the seeds of the Greek and Roman culture, immeasurably enriched as they were by combination with Christianity, and it soon sent up a noble growth of organized valour, policy, literature, and commerce. But the early ripeness of the Italian republics was followed by early decay. The men of iron became men of silk, and the sword grew too heavy for their enervated hands; yet wealth continued to advance, and the commercial prosperity of Italy was at its height, when companies of "Free Lances," like that of the English Hawkwood, kept the degraded inhabitants of the towns in continual terror. Whatever hopes may be entertained of the regeneration of the Italian people at the present day, the *fact* of their having fallen from a lofty height of moral and national power is too palpable to be denied.

Spain and Turkey.

Perhaps the most striking and even frightful case of national decay is presented by Spain, and especially by the Spanish aristocracy, amongst whom the noble spirit of Christian chivalry survived longer than in any other part of Europe. The moral stature of the most eminent Spaniards of the sixteenth century was gigantic. The greatest commanders, whether by land or by sea, were of that nation, and the contemporaries of Ximenes, Gonsalvo, and the first American discoverers, were men whose capacity of great thought and heroic endurance might well make even England tremble. What a contrast between those and their effete descendants, whose imbecility, both in council and at the head of armies, a Wellington found harder to contend with than the valour of his foes, in those great achievements which delivered the Peninsula!

The Ottoman Empire never reached so high a pitch of moral attainment as Christian Spain, but its history affords a no less startling illustration of the rapidity with which the process of moral decomposition may sometimes proceed. In the fifteenth century, the enthusiasm and perfect discipline of the Turks rendered them so formidable—not to one country alone, but to the whole of Western Europe—as to impel many of the leading minds of Christendom to the project of a new crusade. At the commencement of the Lutheran Reformation the same people still held the undisputed naval ascendancy of the Mediterranean. Within about fifty years that ascendancy was totally and for ever destroyed at the Battle of Lepanto, and before the close of the sixteenth century, the Turkish Government had shrunk, from habits of self-indulgence and loss of discipline in those by whom its power was sustained, to that moral decrepitude which has gradually rendered its hold of one of the fairest portions of Europe dependent upon the policy or the forbearance of other nations.

Nature of Moral Decay.

National decay in all these cases is properly a corruption, and differs as much from mere barbarism as old age does from childhood. In a rude primitive people, there is observable a certain balance or harmony between their intellectual and moral powers. Their passions are coarse, but their intellectual perceptions are dull, and the outbreaks of appetite and anger alternate with flashes of generosity and compassion, which show the higher nature struggling to break the bonds which degrade it. But in the corruption of a civilized nation, there is presented the fearful spectacle of the ascendancy of the lower passions, with intellect and imagination employed in their service. They have looked upon the heavenly light, and have voluntarily turned back into darkness.

The disturbance of that rude harmony of the faculties which Nature gives to her least favoured children, and which often survives in a peasantry after a ruling class has become corrupt, is the result of new stimulants, arising from the possession of new means of gratification, being addressed to the senses. In this way the barbarous races in contact with civilized man are almost invariably corrupted, and whatever their previous barbarism might have been, the change is a real demoralization. National corruption, then, may be said to consist of two things—a disproportionate development of all the impulses leading to personal gratification, and a loosening or destruction of numerous traditional restraints, by which indulgence was more or less controlled, and individual wills held habitually in subjection. It is evident that such corruption may be for a long time accompanied by a high artistic, intellectual, and commercial development. The Roman virtue was gone when the greatest of Roman intellects destroyed the last trace of liberty, and both literature and luxurious indulgence were at their height in the age of Augustus. It is quite true that moral decay is certain to be ultimately followed by that of the intellectual faculties, but the latter may long survive the cor-

ruption of the nobler powers, and, strictly speaking, it is only by the subservience of intellect and imagination that corruption reaches its highest intensity.

It may be well to examine, though it must be in a very brief and imperfect manner, whether any of these appearances of decay are at present observable in the chief civilized nations of the world. With this view I shall make a few remarks upon appearances which may be noted in France, the United States, and England. Are there any signs in those countries of a tendency towards that state of things in which the ascendancy of the more ignoble impulses destroys all that is best in the life of a nation?

France.

It requires very little knowledge of the French people to see that the appetite for sensual enjoyments of all kinds has been whetted to a most dangerous sharpness within the last half century. The upper class is probably superior in moral character to the same class in the days of Louis XV.; but the great bulk of the nation has had its desires aroused by influences from which the misery and oppression of former days was a kind of protection. New wealth has been actually attained by a portion of the middle class, but the passion for new wealth has been universally excited. The popular reading shows the popular taste. What is to be inferred from the universal and greedy perusal of such works as the "Count of Monte Christo" and the "Wandering Jew" but this, that the images on which the mass of minds love to dwell are those of immense wealth, and the varied powers of luxurious enjoyment which it affords? Here, then, is evidence of a great development of the impulses to personal gratification in classes whose position must shut them out from it. Where are the corresponding moral restraints? Upon this point it would be rash to dogmatize, because the moral restraints operating upon the life of a people often escape the eye of a foreign observer; but

the evidence is too clear to leave a doubt in the mind of anybody, that the restraining principles of French society have been weakened or destroyed to an extent almost unexampled. In the army, indeed, but in the army alone, there is a stern and perfect discipline sustained by sentiments of the most powerful kind. Whatever may be the case in other respects, the military virtues of the French show no decay. The old valour is still there, and the subordination which gives it effect is only too complete. The work of M. de Vigny, "De la Servitude Militaire," describes the settled principle of self-abnegation, refined and beautiful even in its excess, which makes the French officer an instrument in the hands of his superior, and which, by the invariable laws of moral relation, confers social ascendancy on the body amongst whom it prevails. Let us study the spirit of the French army in the pages of De Vigny, and that of the French bourgeoisie, with reasonable allowance for caricature, in the *Jérome Paturot* of M. Reybaud, and we shall be at no loss to understand why France must, for a long time to come, obey a Military Government.

It is true, indeed, that in any comprehensive survey of the indications of moral character in France, much is met with which commands not only respect but admiration. The readiness with which the people are moved by appeals made to the more generous feelings, and the lofty self-denial and chivalrous delicacy of sentiment frequently displayed by common workmen, are signally characteristic of France. The revolutionary history, too, is as rich as that of any heroic age in examples of patriotic self-devotion; and even more honourable than those bursts of disinterested enthusiasm is the calm and inflexible adherence to principle shown by particular classes—by both republican artizans and royalist nobles, in their fidelity to their respective political standards; by members of the judicial body, in the honourable discharge of their high trust, without regard to the frowns of power; and still more by the many able journalists, who, in spite of the greatest temptations, have refused to

lend their sanction to the last violent change in the constitution. But, notwithstanding these favourable indications, the general fact, that the mass of society in France has undergone, and is undergoing, a moral change which is *not* improvement, is apparent throughout the whole of its moral and political controversies, and nowhere more clearly than in the pages of M. Comte himself. The great fact which is continually present to the mind of M. Comte is that of *moral decomposition* —progressive moral and intellectual anarchy—or a constant approach to that state of universal personal isolation in which all the ties between man and man are broken, and in which every restraint imposed by tradition and early education has been uprooted. This presence and influence of an atmosphere of social decay are felt throughout the *Philosophie Positive*, as in the Annals of Tacitus; and it must be added, that the stoical elevation of the writer, despite of some querulous outbreaks, is quite as conspicuous as that of the great Roman historian[1]. M. Comte's view is, that a condition of pro-

[1] The extraordinary position of Tacitus, however, is seldom appreciated. It has been depicted by Mr. Torrens M'Cullagh, with great force, in his "Lectures on History," in the following passage:—

"In this respect, I am inclined to look upon this work of Tacitus as one of the most stupendous efforts of truly moral greatness that we know of. I allude especially to the triumph of self-sustaining energy it manifests. In most other biographies of nations, there are magnificent materials to work upon; Tacitus had worse than none. In all of them there is likewise the great ingredient of antagonist powers in action to be depicted; but resistance was dead in his time. Herodotus is the chronicle of Grecian chivalry—the narrative of the most brilliant struggle that the world has seen, of moral discipline and daring with gigantic brutal force. Thucydides is an antithesis from end to end. Livy tells how the bloodhound cub was born, and how it grew, amid every sort of danger, from its suckling time in the wolf's den, till its matured ferocity, when every leaf in the forests of Asia and of Gaul had learned to tremble at its imperial howl. Polybius, too, had the same canvas to tint, though his colouring is more uniform.

"But Tacitus had a civilized desert for his landscape—a moral grave-yard for his scene. The conflict of political principles and powers was over and past. The cataract had worn itself down. No man dreamed any more of a democracy; no man imagined the restoration of an aristocratic commonwealth was possible. The provinces had ceased to revolt; Numidia was become a domestic corn-field; and the Greeks had learned to dance gracefully in their chains. As far as the circumspective

gressive moral decomposition is characteristic of all Europe, and that all convictions and institutions will have to be recast upon the basis of the Positive Philosophy. We may accept his testimony as to the existence of the disease within the range of his immediate observation, but by no means his remedy. What Plato could not do for Greece, M. Comte will not do for France. If an influx of new moral life is ever to reorganize and bind together her severed classes, and to restore her social health, it must be sought for elsewhere than in philosophy.

United States.

The North American Republic, though divided from us by the Atlantic, offers, in the peculiarities of her social condition, even more that is instructive and interesting to us than France. An Anglo-Saxon people, living under Anglo-Saxon institutions, may enable us to seize and understand better the tendencies of principles which are working amongst ourselves. In this study we have the aid of one of the most accomplished observers that have ever surveyed the social life of nations. The "Democracy in America" of M. de Tocqueville is a work of classical authority even in England. With all the best qualities of French thought and French style, it indicates a sympathy with English ideas, and an understanding of English peculiarities, such as was never before shown by a Frenchman.

eye could reach, there was nothing to be seen, but the rotting superincumbent weight of Rome. In the Babel chatter of the thronging of the forum, or in the dim silence of the night watch, no man any longer whispered—change. Had it been otherwise—had the sodden sense of helpless unresistance to imperial despotism been less thoroughly felt as universal and inevitable—Tacitus dared not have publicly let fall those scalding tears, which form the current of his history.

"But think what it was to have the heart to write at all, at such a time! Think what it was for one, whose soul was untainted by his time, to write of it! Think what the strength of that spirit must have been to produce a work like his, and that despite the oppressive consciousness that he should never live to see the day when it could be appreciated, possibly without any distinct hope that it should ever be so!"

Now the general conclusion of M. de Tocqueville's work is, that the uncontrolled working of the democratic and commercial principles in the United States is not favourable to the moral progress of the people. Starting on a higher level of moral and political attainment than any other new community, they have made prodigious advances in wealth and power; but if any change has taken place in their moral condition, it is not improvement but deterioration. The character of the public men has declined from what it was in the revolutionary period. Legislation has fallen into the hands of an inferior class. Demagogue adventurers have everywhere acquired an immense increase of power, and the best minds not only shrink from political life, but from all open expression of opinion where it conflicts with that of the majority. This relinquishment of independent thought and utterance, considering the naturally stubborn independence of the Anglo-Saxon character, is a fatal sign of moral decay. It is particularly striking in reference to the subject of negro slavery, respecting which the moral sentiments of a large portion of the American community have undergone so much depravation, that if the slave-trade were yet to be abolished, it is doubtful whether the measure would obtain the sanction of the legislature. It is true that a strong reaction has appeared in the abolition movement, and this shows the still powerful vitality of the moral sense in the national mind of America; but the intense and—I must say it—the unchristian violence of the Abolitionists, containing amongst them, as they do, men of the most heroic stamp, is itself the clearest evidence of the malignity of that moral evil which calls it forth. So influential over the whole field of morals, politics, and even religion in America, is that influence which may be called the Slave-power, that many of the leading Abolitionists, in spite of the patriotism which runs in the blood of every American, go the desperate and ruinous length of demanding a dissolution of the union. With respect to commercial morals, the tone is certainly lower than in England. Mr. Dickens's portrait of the "smart" man is not

to be forgotten. The brilliancy of Mr. Dickens's colouring may sometimes go beyond the sobriety of Nature; but his honesty is undoubted, and his insight into character such that, upon a point like this, his single testimony must outweigh thousands of disclaimers. Other travellers have described the prevalence of bankruptcy to be so great, as to cause it to be considered not in good taste to allude to the subject in general society. The pilgrim fathers, and that noble old colonial society which lives again in the pages of Mr. Bancroft, would hardly have understood this new variety of moral sentiment. As for the pursuit of gain, it is admitted that the passion rages with growing violence from year to year; and now, the Californian discoveries, by opening new visions of sudden wealth, have given it a fresh and fearful intensity. Looking at the American community as a whole, then, the signs of moral progress appear much less prominent than those of moral deterioration [1].

[1] Here are the weighty conclusions to which the mind of De Tocqueville was led by his survey of America, during which, indeed, while he had American society before his eyes, he was, as he said, thinking of France, and more or less of every European country:—

"*Les peuples chrétiens me paraissent offrir de nos jours un* EFFRAYANT SPECTACLE; le mouvement qui les emporte est déjà assez fort pour qu'on ne puisse le suspendre, et il n'est pas encore assez rapide pour qu'on désespère de la diriger: leur sort est entre leurs mains; mais bientôt il leur échappe.

"Instruire la démocratie—*ranimer s'il se peut ses croyances*—purifier ses mœurs—régler ses mouvemens—substituer peu à peu la science des affaires à son inexpérience, la connaissance de ses vrais intérêts à ses aveugles instincts—adapter son gouvernement aux temps et aux lieux—le modifier suivant les circonstances et les hommes—tel est le premier des devoirs imposé de nos jours à ceux qui dirigent la société.

"*Il faut une science politique nouvelle à un monde tout nouveau.*"

CHAPTER III.

Grounds of Fear and Hope in England.

"England, with all thy faults I love thee still."—Cowper.

Evil Signs in England.

Coming back to England after this survey of foreign countries, it is impossible not to begin with the suspicion, that from the evil influences which have been at work elsewhere she cannot have escaped. She certainly has not. Decay has attacked, and is weakening, some of the foundations of her moral strength; but the more the position and character of England are studied, the more the conviction will grow, that an unparalleled conjunction of happy influences has as yet preserved her from any fatal taint. The moral condition of society in England, however, is a subject infinitely too large for treatment here; but two characteristics may be noted, as showing the working of exactly the same tendencies which appear in North America.

First, increased eagerness in the pursuit of wealth, accompanied by relaxation in the tone of commercial morality. Secondly, a decline of moral courage and frankness, as appearing in public life.

Upon the increased eagerness in the pursuit of wealth, enough has been said in the earlier pages of the present work. It may be added, however, that the prominence of a portion of the aristocracy during the last speculative fever was greater and more conspicuous and discreditable than on any previous occasion. One striking moral effect of intense competition may also be noted, as set forth in an article on Civilization, which

appeared in the *London and Westminster Review* for April, 1836, and which was attributed to Mr. Mill.

"There has been much complaint of late years of the growth, both in the world of trade and in that of intellect, of quackery, and especially of puffing; but nobody seems to have remarked, that these are the inevitable outgrowth of immense competition —of a state of society where any voice, not pitched in an exaggerated key, is lost in the hubbub. Success, in so crowded a field, depends not upon what a person is, but upon what he seems: mere marketable qualities become the object instead of substantial ones, and a man's labour and capital are expended less in *doing* anything than in persuading other people that he has done it. Our own age has seen this evil brought to its consummation. Quackery there always was, but it once was a test of the absence of sterling qualities; there was a proverb that good wine needed no bush. It is our own age which has seen the honest dealer driven to quackery, by hard necessity, and the certainty of being undersold by the dishonest. For the first time, arts for attracting public attention form a necessary part of the qualifications even of the deserving; and skill in these goes farther than any other quality towards ensuring success. The same intensity of competition drives the trading public more and more to play high for success, to throw for all or nothing; and this, together with the difficulty of sure calculations in a field of commerce so widely extended, renders bankruptcy no longer disgraceful, because no longer a presumption either of dishonesty or imprudence: the discredit which it still incurs belongs to it, alas! mainly as an indication of poverty."

The evils here adverted to are real and obvious. The statement respecting bankruptcy, however, must be taken as one of those rhetorical exaggerations, into which an earnest writer may often fall from his desire to enforce some important conclusion. By the majority of mercantile men in England, bankruptcy is still looked upon as disgraceful; and if this were not the case, there would be little use in moralizing on the subject. It is true, however, that the failures of 1847 did lead to revelations

which, as a whole, were felt to be more discreditable to the mercantile character of England than anything that had previously occurred. For the first time, probably, since that early period when Flemish or Italian capital was first advanced upon English good faith, the credit of English merchants generally came under suspicion in foreign countries. Nearly at the same period occurred the scandalous abuses in the management of various railway boards, decidedly worse than anything of the kind that had been known before, and evincing too plainly a growing relaxation in the moral practice of mercantile men. If those events could be taken as fair indications of the morality either of the nation or of the mercantile classes as a whole, the case would be, indeed, past all surgery. But they cannot be regarded in that light, when we call to mind the clear and emphatic reprobation which those transactions received from mercantile men, from statesmen, and from the public press. Whatever progress the disease had made, that general and indignant condemnation was a proof that there was still moral vitality enough to effect its cure, and that the community was sound at heart.

Decline of Moral Courage.

The decay of moral courage amongst public men appears to me to be in many respects a more serious evil, because the tendencies which lead to it seem less capable of counteraction. It has unquestionably increased since the Reform Bill, and threatens to be progressive under the continued working of popular representation. Exactly the same phenomena which De Tocqueville and others have noticed as resulting from the working of democracy in America, are becoming from day to day more prominent in England. Public opinion is growing tyrannical, and those who in any way depend upon its favour have strong temptations to become subservient and parasitical. It is more agreeable to exemplify what is going on by cases of bold and honourable resistance to the evil, than by

those of an opposite description. The separation of Mr. Roebuck from the constituency of Bath was, I think, an evil omen. If he had been more flexible, and less honest, he need not have sought a seat elsewhere. I am not insensible to Mr. Roebuck's faults; but his moral courage, his honesty, and his great power in parliamentary debate, cannot be questioned. Those high qualities, however, were all insufficient to induce a liberal majority to agree in allowing freedom of thought and action to its representative. My own faith in the Reform Bill received a still greater shock from the rejection of Mr. Macaulay by the constituency of Edinburgh in 1847; but before remarking upon this case, it will be well to make one or two general observations.

Permanent Seats for Tried Men.

It is clearly the interest of a popular constituency, when it has once really secured a good man, to keep him, and adhere to him through good report and evil report. They may, in the first instance, scrutinize to the utmost into character and capacity; but, those points once ascertained, it is preposterous that one who is qualified to legislate should be expected to veer about with every breath of popular feeling. At all events, it is certain that the best men will *not* do so; and if constituencies are determined to establish this slavish relation with their members, they must expect to find in the latter the vices of a slavish spirit. The principle of giving men, once approved of, something like a permanent seat, is a conservative principle, which would now be of immense value, because it is perfectly in harmony with the most advanced ideas of the present age. Lord Mahon has shown, in a very striking manner, how family seats contributed to give steadiness to the working of the old English constitution; the list of the House of Commons in the reign of Queen Anne exhibiting many of the same names, in connection with the same seats, which appeared in that assembly more than a hundred years later. That old principle, however, could not and cannot do otherwise than

become progressively weaker in an age of widely-diffused political intelligence. But an effective substitute for it may be found, if popular constituencies have enough of wisdom and self-control to give permanence to the position of individuals of tried character and ability.

The operation of this principle, so far as it appears in the Senate of the United States, is still the sheet anchor of the American constitution, and if it shall ever be lifted, it will be hard to tell what wreck and confusion may follow. Amongst ourselves, most persons, when not under the influence of election excitement, would admit that there are many public men who, under all changes of government, ought to be in the House of Commons. As representatives of different parties one may name such men as Lord John Russell, Sir James Graham, Mr. Disraeli, and Mr. Cobden. The list, of course, might be much enlarged, but these are enough to illustrate the principle here contended for. Those men have shown themselves amongst the most competent that England possesses to deal with public affairs. That being the case, what is wanted for the country is their own best and freest thoughts, unbiassed by pressure from without, because they must see, immeasurably better than the majority of their constituents, the bearings of the various questions which come before them. Of course, if a representative absolutely changes his opinion upon a fundamental question, he should do as Sir Robert Peel did in 1829—restore the representative trust to those who placed it in his hands; but excepting such extreme cases, which are now likely to be rarer than ever, resistance on the ground of any question now in agitation, either to Lord John Russell in London, or to Mr. Disraeli in Buckinghamshire, or to Mr. Cobden in the West Riding, would be, according to my view, exactly that vicious and dangerous working of the democratic principle which tends to destroy all independence and high character in public men.

Mr. Macaulay at Edinburgh.

According to these principles, the original position of Mr. Macaulay at Edinburgh was one that ought never to have been disturbed; and it might have been thought that no member of parliament was more certain to have a life tenure of his seat. With the highest qualifications for public life, his political opinions were exactly of that firm and progressive yet moderate character, which might have been supposed to reflect whatever was best in the intelligence of the Scottish metropolis. He, however, was rejected on some contemptible grounds, in favour of a man previously unknown. If there were any so-called Conservatives who joined in the rejection, the proceeding on their parts was suicidal. The loss, as it happened, was a loss only to Edinburgh. The gain, was a gain to Mr. Macaulay and to the whole world. Yet the brilliant proof was not requisite to satisfy any reflective person, that the miserable and exhausting drudgery of attendance at the House of Commons could not have been undertaken, by a man of such genius and such tastes, from any other motive than a sense of public duty.

But the spirit shown by the people of Edinburgh in the case of Mr. Macaulay, and by the people of Bath in the case of Mr. Roebuck, is the same spirit which in more or less intensity is everywhere to be found, and which in many other cases encounters less resistance. This is the worst political symptom of the present time, that is to say, not so much the *civium ardor prava jubentium* itself, as the want of that courageous and uncompromising resistance to it which is its natural and wholesome corrective. In the United States, the evils of this state of things are slow and progressive. But with England, in the present condition of Europe, they may be sharp and sudden. I am unwilling to cast personal reflections, but I must say, that the courage which leads men to brave unpopularity for a great national interest does appear to me to have declined within the last fifty years. Excepting the conduct of Sir Robert Peel upon the two great questions of Roman Catholic

Emancipation and the repeal of the Corn Laws, and the honourable but admirable resistance offered by a small number of public men to the Anti-Papal Bill[1], there has been little to remind us of that spirit which was shown at the commencement of the French war by Charles James Fox, and in a much higher degree by the late Earl Grey. The amount of public and private obloquy, in the face of which those statesmen persevered in maintaining their own views, would have been too much for the feebler virtue of the present day.

Grounds of Hope.

Against these evils there are many grounds of hope, not only in the religious condition of the nation, but in the widely diffused habits of practical humanity, the existence of which cannot be denied; but these topics are too large to be discussed within the limits of the present work. Two favourable circumstances, however, may be mentioned, as affording some counteraction to the evils that have been dwelt upon. The first is, the *great variety of masses into which society in England is divided*, and which give rise to such diversities of interest and opinion as it may be hoped will effectually prevent the tyrannical predominance of any one principle. Of this social peculiarity, which is not to be found in France or America, the advantage is inestimable. It ensures this great result—that every opinion or pretension which becomes prominent is sure to get adequately criticised, and, however unpopular the just criticism may often be, it holds its ground, and sooner or later must prevail.

Closely connected with the foregoing is the existence of a newspaper press which, almost more than any other feature in

[1] I ought, indeed, to mention also the conduct of Sir Robert Peel's Government upon the Dissenters' Chapels Bill. Whether that measure was right or wrong, it is certain that the members of Sir Robert Peel's Cabinet could have no motive for taking it up except the belief that it was just, and they carried it through, against the most formidable opposition that a Government can possibly face; that is to say, a combined religious opposition of friends and foes out of doors.

the social condition of England, distinguishes it from other countries. The characteristics of the English press upon which its influence depends are—first, the high moral tone and the consummate ability shown in a large portion of its discussions; but, *secondly* and *chiefly, the fulness and accuracy with which it records all the sayings and doings of public interest which happen not merely in England, but throughout the world.*

Character of English Journals.

Having spoken with great freedom on other matters, I will not be prevented by a former connection with the London newspaper press from speaking with equal freedom upon this one. In moral tone and in ability, the leading English journals cannot claim any superiority over those of France, unless such as may be imagined to belong to the peculiarities of the English mind; but it is a great deal to say that they are in no respect surpassed by publications in which the ablest minds of France are habitually represented. France does, or rather, when she was free to speak, *used to do,* her very best in her journals; England competes with her in that department, and has a vast mass of intellectual power besides, which gives no aid to the journals. In many respects, however, it appears to me that there is now more political ability in the newspaper offices than in the offices of state. No doubt it is often flashy, and would break down if brought to the test of action, but, as far as discussion goes, the work is better done. In one important respect, that is, in the decorum of personal allusion, the House of Commons has a decided superiority over the journals; but in information, logic, and comprehensiveness, the balance inclines to the newspapers. One great source of the influence of newspaper essays, or "leaders," lies in the force of style by which they are often distinguished, and by which, as it appears to me, even the best essays of Queen Ann's age are thrown into the shade. In some cases the wit, in others the eloquence, in others the pregnancy of thought, is the characteristic merit; but, taking as a

whole the leaders and newspaper criticisms of the last five-and-twenty years, they contain in themselves a body of literature, for which it would be difficult to find a parallel. Very often, when it was a matter of duty for the present writer, as a humble rival or colleague, to study the productions of those who were masters of the craft, a feeling of sadness has arisen at the thought that gifts so rare as those productions indicated should be wasted, and the fine sensibilities impaired, by the fever of nightly composition, upon subjects often of so little permanent interest or value. But the second thought was better; namely, that all this intellectual wealth, which seemed so prodigally poured out, was in fact spent in the most effective education of the national mind; that those labours—great, though attended with no fame—were slowly but surely raising the taste, the intelligence, and the moral tone of the whole English people.

With this high sense of the value of the critical or editorial portion of the English newspaper press, I still do not at all think it the most important department of the newspaper. The most important feature in the English journals, and that which there is nothing to be compared with in other countries, is the fulness and accuracy of their intelligence. Each journal will naturally give most prominence to those movements which it deems of most importance, and so far the public must use them to correct each other; but I do not believe that in the accounts of public matters there is wilful misrepresentation. In the parliamentary reports unfairness is out of the question. The highest merit in a reporter is always accuracy. Of course, when abridgment is necessary, reporters frequently form a very different estimate of the value of what is said, from that which is formed by the speaker, but in such cases the errors of judgment into which the reporters fall are extremely apt to be shared in by the public. Looking to the prodigious and varied mass of facts contained in a newspaper, I am much disposed to think with Mr. Cobden, that one of these journals may be more instructive to the ordinary English reader than the

History of Thucydides. Whatever was most original and profound in the great Greek historian has been long ago drawn out in a thousand channels, and so mixed up with the general stream of thought, that we have the essence of his mind in that intellectual element in which we are always floating; whereas the journal of the day opens yet another view of that wondrous reality ever before us, and which, for variety and depth of interest, surpasses anything of which Thucydides could have dreamed.

Defects of the Journals.

The defects of the journals are too obvious to be dwelt upon. They result from the submission of journalists, in a greater degree even than statesmen, to the despotic reaction of public opinion [1]. We may hope to see this checked, partly as it is from time to time by individual journals choosing to pay the price for independence, partly by a better feeling amongst the community, which will cause men to be ashamed of such mean and petty tyranny as that of discontinuing a journal generally approved of, on account of one or two obnoxious opinions. But the most important view of the journals is, that they form *a perfect mechanism, through which every one who has the ear of the public can act upon its moral condition.* Let Mr. Macaulay or Mr. Roebuck quarrel with a constituency, by a courageous stand on behalf of some unpopular principle, and the fidelity of the journals will ensure that the empire at large shall have the most perfect means of judging of the

[1] The vulgar stories of venality, as applied to the more important newspapers, would not be more credible than similar stories told of members of parliament, if journalists—too apt to fling convenient missiles—did not countenance them against each other. Upon this subject I may be allowed to say that I never did believe in nor countenance a charge of venality against any journal; nor ever could understand how journalists should fail to see that, in making such charges—as they must almost always be made without a scintilla of evidence—they were only casting an unmerited stain on their own profession, already unduly depressed in social estimation by other causes.

issue. The whole pleading, in its most eloquent and authentic form, will be brought in contact with every mind into which the truth can penetrate. This it is which may give to the words of such men a more lasting and important effect than those which usually follow the votes of parliament or the councils of cabinets.

CHAPTER IV.

Reconciliation of the Churches.

"For one believeth that he may eat all things; another, who is weak, eateth herbs.

"One man esteemeth one day above another: another esteemeth every day alike. Let every man be fully persuaded in his own mind.

"It is good neither to eat flesh, nor to drink wine, nor any thing whereby thy brother stumbleth, or is offended, or is made weak.

"Hast thou faith? have it to thyself before God."

Romans xiv. 2, 5, 21, 22.

The Great Want.

Great evils, then, do appear to threaten England; a possible invasion, if it be thought one of them, being far from the greatest. Indeed one may easily conceive a condition of society in which, to a mind looking before all things to man's highest welfare, even the calamities of invasion would be accepted as a kind and fatherly chastening, designed as a means of deliverance from the corruption and moral torpor brought on by an all-engrossing pursuit of wealth. May God forbid that so fearful a corrective should ever be required; but it is the way of Divine Providence to make these things dependent upon the acts of men themselves. By some means, wholly inscrutable to the human intellect, the infinitely varied and complex chain of events does come to constitute for each nation and each man a special discipline. Each is made aware that he has trusts confided to him—opportunities opened to him—warnings as distinctly given as if they were spoken in his ear, and in all these cases the great sin is—neglect. For the individual or the nation it is all the same. The nation which

fails to perform its trust, to use its opportunities, to listen to the warnings which it receives, will incur the condemnation of all unfaithful servants. It will be stripped of its authority, cast down from its place of honour, and its name will become a hissing and a byword.

But what should we do that such evils may not come upon us? The remedy is plain—no legislative nostrum—no ingenious device of the socialist projector, for enabling evil hearts to carry out the Divine law—no novel stimulant to make an empty life supportable; no, something homely, old, and familiar, but often tried in individual cases, and always found effectual — PRACTICAL CHRISTIANITY. This is the subject, the marrow of the whole. Those who have followed thus far will not be surprised to find themselves at this centre. Those who do no more than hastily strike open a leaf, should not judge rashly whether it be well or ill done to touch at all on this highest matter. Above all, let no one who may have joined with interest in the analysis of a difficult problem in economics, think that, that once completed, the rest might have been spared; that the work is good and would have been welcome, but the appendix impertinent; for indeed this is no appendix, but rather that which was designed to be the substance of the work. The economical analysis was no more than the dissecting of a dead body, a task disclosing many beautiful adaptations, but, upon the whole, repulsive, and only to be undertaken in the hope of getting at some life-giving truth.

When one of the graver maladies afflicts the human organization, especially with symptoms unwonted, mysterious, suggesting despair, the cause is to be looked for far in, near the source of life itself. So it is now. If anything be wrong with England, you must look deep into her moral constitution to find out the cause. Her fierce commercial paroxysms are but the symptoms of a deep-lying disease, for which it is in vain to seek a cure in any external applications. In this lies Carlyle's

greatest truth; a negative one, yet most prolific, uttered by him at least as long ago as 1829, namely, that no good will come from merely mechanical alterations. Social machinery will do nothing in such cases. An inward change is what is wanted, if that could only be brought about. For in this great English people it is the functions of the heart that are disturbed, and the brain, unconsciously yet closely sympathizing therewith, wanders and cannot find rest. In a word, our specific malady at this present time, notwithstanding our active but rather noisy philanthropy, must be described as an aversion of the national heart to practical Christianity.

But let none be attracted or repelled by a phrase. These are no catch words. Those whom they might catch are the very parties who, if they read these pages, will be most pained by what is to follow. Sympathy touching the highest themes is amongst the highest of human enjoyments, but it is not to be obtained upon false pretences. It is therefore necessary for the writer of these pages to say, that his own creed would not satisfy any orthodox church in Great Britain. It might possibly satisfy a Neander or a Lücke, and certainly would not have caused the right hand of Christian fellowship to be withheld by Schleiermacher or De Wette; but in England it will appear open to the two very strong though apparently contradictory objections, that it includes too little, and that it includes too much.

Agreement of Comte and Carlyle.

It must be considered highly remarkable that that great fact of a progressive or incipient social decomposition, which is more or less observable in every country in Europe, should have become, some five-and-twenty years ago, the central idea in two great minds, separated from each other by the widest intellectual, moral, and national differences. While France was hoping all things from dynastic changes, and England from par-

liamentary reforms, Auguste Comte and Thomas Carlyle were brooding over evils which lay beneath the roots of all dynasties and all parliaments. They appear to have arrived at their conclusions independently, but they concurred in the main as to the nature of the social disease which attracted their attention.

The fact which arrested the notice of both may be briefly described as a progressive strengthening of the tendencies to personal indulgence, and a progressive weakening of the restraints by which selfish impulses are subordinated to a supreme law. Under these two processes society is gradually losing the character of a cohesive and fruitful soil, and becoming dried and ground up into separate grains of barren sand. Such is the evil, the wide-spread existence of which is indeed a great truth. What is the remedy? What is to be the new power for binding men together? M. Comte and Mr. Carlyle have each a remedy, and the differences between the two are just such as might have been expected to arise from the difference between the mathematical intellect and the poetic, if, indeed, one should not rather call it the prophetic, soul.

Remedy of Comte.

Personally M. Comte is entitled to all the respect which is due to a simple, austere, and disinterested life. Bending his great faculties to the humble daily duties of a teacher of mathematics, he even lays it down as a sort of law, that, in a rightly-constituted society, the highest instructors should stand on a footing of brotherly equality and sympathy with those who live by the sweat of their brow, leaving power and wealth to an intermediate class, to whom those much-coveted objects are everything. But, with all this force of character, he does not understand the power of the living Person in human affairs. In the Lutheran Reformation, for instance, he sees nothing but the introductory act to the great drama of Progressive Anarchy, of which the most striking scenes were furnished by the French

Revolution. It may be safely pronounced, that he looked at the Lutheran Reformation from the outside. He did not, and does not, know the deep import of those solitary struggles which took place in the convent of Erfurt. He condemns Protestantism without knowing what it means. Imagining that what is amiss arises chiefly from intellectual error, his remedy is adapted to this view. Mankind is to be regenerated, and society cemented anew by dint of demonstration. At this point, however, he passes from the region of experience to that of hope and anticipation; and those who take a different view of human nature will be of opinion, that if the reconstruction of society is only to come from the completion and diffusion of the Positive Philosophy, it will previously have time to pass, twice over, through the last and most revolting stages of moral decay.

Remedy of Carlyle.

Mr. Carlyle differs from M. Comte not only in understanding, but in understanding more clearly than any one, as a general fact, the nature of *personal* influence; but it is strange that he should fail, or seem to fail, in appreciating the highest form in which that influence has been or can be felt by man. His writings tend to excite the hope that the disordered affairs of mankind are to be set right through the principle of hero-worship, by which it must be meant either that men are to wait till the heroes come and assume their authority, or that they are to search for and set up heroes for themselves. In either view I think that hero-worship would be both an error and an immorality[1]. Certainly the living examples which

[1] The exquisite critic of the English humorists, who is himself inferior to none in the series, has lent the weight of his authority to another form of this principle, which seems to me to be not only erroneous, but practically very mischievous. If my ears did not, and my memory does not, deceive me, Mr. Thackeray said in effect, that "we love Fielding even the more for his vices." My admiration for the genius

illustrate the creed will never establish it in the hearts of men. They will not consent, for some special greatness, to whitewash all sorts of crimes. One may feel that there was a great soul in Mirabeau, and yet not be blind to, nor hesitate to *shriek* at, his scandalous profligacy. For my own part I think Cromwell *was* a hero, and yet that his heroism did not warrant, ought not to conceal, but is permanently stained by, his cruelty and his falsehood. No, if we wait for the heroes, we shall do nothing. If we choose them for ourselves, it will happen, as

of him who said this being of old date, and not less strong now when all the world feels the same, I will take the liberty of expressing my conviction, that no doctrine was ever uttered more likely to do harm, at a time when the confused and anarchical state of opinion renders so many young men doubtful upon all points except this, that "pleasure is pleasant." An intellect so subtle and moral perceptions so refined and just as those of Mr. Thackeray, ought to have saved him from being caught by so poor a fallacy. No man ever did love Fielding or anybody else the more on account of his vices. What we do love is the genial and generous heart, and that diffuses its charm over the sensualities, but can derive no attraction from them or from any other selfish accompaniment. We *do* love Fielding, and *in spite* of his vices, better than a starched and sour precisian; but if the time which he wasted, and the genius which he impaired by debauchery, had been applied to higher aims, the love would have been all the deeper. Schiller is not less loveable for the purity of his life, or because literature had for him the sanctity of a religion. Shelley would not have been more attractive for greater likeness to Byron; and Collingwood would not have been adored as he was by every one who came near him, if, besides the heroism of Nelson, he had had the other qualities which make Nelson's private history so painful. There is, perhaps, no one whose case shows the power of pleasant vices to strip off gradually every quality which is really a cause of love so strikingly as Sheridan's. In spite of his genius and his irresistible personal fascinations, the joyous and honoured manhood was followed by the sad and disgraced old age. Men are not left to bailiffs on their death-beds without a cause, and the cause in his case was something *not* loveable. No accurate analysis will ever make out a selfish habit which inspires love. It is only after-dinner logic which lets pass the notion that a few vices must be thrown into the composition of a character to give it zest and flavour. Far truer upon the subject of licentious self-indulgence is Burns, who is, indeed, as great as he is depicted in one of Carlyle's greatest Essays,

"But och! it hardens a' within,
And petrifies the feeling."

I hope, or rather I feel sure, that Mr. Thackeray will forgive me. An error of his must be highly contagious, and the moralist, with all that he can do, has to limp after such a law-breaker with a sadly halting foot.

it did in the old paganism, that the idol will reflect the weaknesses of the worshipper.

Something better than either.

But happily there is no need to wait. The choice is already made. It was made by a higher than human wisdom, when more than eighteen hundred years ago a DIVINE LIFE was exhibited in a human form, and mingled for ever with the general life of humanity. Then was laid the only foundation for all human reforms and all human hopes. That is what I believe. I am not ashamed to wear what have been called those "Hebrew old clothes." I believe that they never will grow old. But the proof? The proof lies in the fact, patent to every eye, that this, and this only, *has* been the regenerating influence in the history of the world. Except this, the Greeks had everything: philosophy, poetry, history, eloquence, art—and all could not avert decay. If decay is now to be averted, this Christian faith alone can do it. It is this which *is* doing the saving work, so far as it is done, even now. While philanthropists are planning in their easy chairs—while philosophers are speculating, economists calculating, and statesmen making laws—those true ministers of Christ, who show his spirit in their lives, whether they be or be not marked out by formal ordination, are actually, in the abodes of poverty and ignorance and sorrow, carrying on that process of individual personal communication, without which nothing effectual is accomplished for the moral redemption of mankind.

Practical Argument for Christianity.

In the original design of the present work, it was intended that an attempt should be made to exhibit the position in which Christianity now stands in reference to the latest forms of scepticism both in England and in Germany. That design, to be adequately executed, would, indeed, have required a scholarship

to which in the present case no pretension exists; but such a piece of work, even in the brief and popular form which was contemplated, was found to be too large for combination with what the reader has before him. But, in truth, this is not a critical, but a practical question. The proof, which, as Paley said, clenches the matter, must always be that practical one which touches not the head but the heart. Put the critics and commentators on the shelf, and study the Christian evidences in the lives of Oberlin, and Neff, and Howard, and Mrs. Fry; or, if picked specimens do not seem fair, go into the Sunday school, where neither fame nor philosophy comes in to confuse the result. In a word, find out and examine what persons *they* are, who, *upon any large scale*, exhibit practical energy and self-denial in the cause of humanity.

The Practical Argument not for Sects.

Numbers would heartily concur in this practical conclusion, who will recoil and fly off to all points of the compass from the inference to which it inevitably leads. That inference is, that this argument, decisive as it is in behalf of Christianity, is worthless in support of the exclusive pretensions of any one church. It will not make out the case of the Church of Rome against the Church of England, nor of the Church of England against the Church of Rome, nor serve in the least degree to sustain any one of the forms of Dissenting infallibility. It follows that Christianity must be looked at, not as some one sect *would* have it, but as the world actually *has* had it. The warfare against it has been moved off to new ground. The old bulwarks are built up in a quarter where the contest no longer rages. That work of defence which was carried on before by isolated and mutually hostile champions, will no longer avail if it cannot be conducted on some principle of combination. The basis of any successful defence against the modern scepticism must be the *conception of Christianity in its historical integrity*. It did not dive under ground, as has been sometimes supposed, for ten

centuries, nor abandon for that long period the great active life of Europe to take refuge in the caves and hiding-places of the Paulicians and Albigenses. It was there throughout, blended always with more or less of human error and weakness, but still alive and potent in Hildebrand himself as certainly as in Luther. One cannot survey the churches of Great Britain at the present day without seeing that those works which are the fruits and the proofs of faith do in fact proceed from *all* of them. This is no reason why any one church should yield what it believes to be truth, or accept what it believes to be error, but it is a reason why all the criminations and malignities of controversy should be at once and for ever abandoned. Externally, and in their exclusive aspect, all the churches, are repulsive. Internally and in their Christian aspect, all are beautiful[1]. Let every man be held disqualified for sectarian controversy, until all that is angry and impure and selfish in his nature has been purged away. Let the desire for reform be everywhere turned within, and then that inner beauty of the churches would all come out, and the whole visible front of Christianity would become radiant like the ranks of the celestial host, by which in the great English epic the power of Evil is overthrown!

Fraternization with Popery.

There are many, very many, ready to join in a larger and more comprehensive principle of Christian fellowship than we have been accustomed to, provided it be strictly and exclusively Protestant. But to fraternize with Popery, or acknowledge it for Christianity—no, never!

[1] What an event that was which occurred a few years ago at Liverpool. A Roman Catholic priest, and a Unitarian missionary, two religious pariahs, were the only visitors of a poor fever-stricken family. One of the family died, and the neighbours in terror avoided the body. The pestilential corpse was put into the coffin by the priest and the missionary, acting together like brothers in that work of charity. God chose to seal in his own way the bond of brotherhood between them, for both took the fever and shortly after died.

This question of Popery is just now of great importance. It is important in a religious sense, and no less in a political sense. To dispose of the lower question first. It appears to me that the Anti-Papal agitation and legislation have placed the integrity of this empire in at least as much danger as it ever has been in, since that remote period when a handful of Norman knights effected the conquest of Ireland. I apprehend no revival of the repeal cry, and still less any such absurdity as another Irish rebellion. Ireland is too crushed and depopulated, and worn out with chronic misery, to be anything but passive in the presence of a superior force. Lord Palmerston has great confidence in the loyal zeal with which the Irish peasantry would turn out to repel a foreign invader. That opinion is honourable to him; but considering how much more of his time has been spent amongst the English nobility than amongst the Irish peasantry, it is scarcely a solid ground for legislation. What a peasantry so wretched *have* to fight for, it would be difficult to show. At all events, the contingency is not one to be overlooked, that if a foreign army of any force could once be landed on the Irish soil, its reception might be different from what it would be in Kent or Devonshire. Such an event might render it necessary to line the whole western coast of England and Scotland with defences as strong as can ever be required on the south. Some will think these remarks imprudent. They may be so. But the case is a desperate one, and requires a desperate remedy.

Effect of the Anti-Papal Bill.

In view of these possibilities it is to be observed that, with a few most honourable exceptions, the chief public men of England did, not long ago, combine their efforts to place Ireland exactly in that state of just irritation which an enemy of British connection would most desire. Lord John Russell is a man eminently deserving of respect. England is deeply indebted to him, but Ireland has not equal cause to be grateful.

He has done more than any one but himself could have done to destroy even the hope of seeing a moderate and liberal Catholic party acquire strength in Ireland. The measure directed against the Roman Catholic Church in that country did nothing for Protestant, but much for ultramontane principles. The Irish prelates were insulted, but they were in no way weakened. On the other hand, the Irish friends of Lord John Russell himself did receive a heavy blow and a great discouragement. Such an example could not fail to be followed. The Maynooth endowment has now become an embarrassment to every popular member of parliament who is intelligent and scrupulous respecting the relations in which the two countries stand, and further attacks are threatened by the present occupants of ministerial power upon the general policy of the last twenty years. All these things hang together. If the church of the Irish people is to be treated as an alien and dangerous power, the policy of repression should be carried out with vigour. The Anti-Catholic Bill ought in consistency to be followed by the hostile inquiry into Maynooth, or rather by the summary repeal of the endowment, and then by the break-up of the Education Board. Nor is there any good reason for stopping even at that point; for many of the old penal laws were adapted with great ingenuity to their purpose, and if this be the proper way of upholding Protestantism, it is a pity that such excellent weapons should lie by as mere historical curiosities. It is impossible to look at what is going on in any other light than as a *warfare*, carried on, indeed, with electioneering and parliamentary weapons[1], but still a warfare, both fierce and dangerous, between the two countries. I see no way of ending

[1] While the last sheets of the present work are going through the press, the warfare has ceased to be confined within those limits. It has become a matter of grave doubt, whether it has not perverted the administration of justice; and it has led to extensive riot and bloodshed, under circumstances which promise to leave no doubt at all about the necessity of increasing the standing army, for if our present dissensions are continued, ten or fifteen thousand additional troops, at least, will be wanted, merely to keep the peace in the great towns throughout the north of England.

it except by a frank acknowledgment of error from the party which is in the wrong, and that party is England. I justify none of the violent language which has come from the other side; but the injury was done by England, for Ireland was in no way responsible for the assumption of those empty ecclesiastical titles by which the new penal law was provoked. But public opinion, when it gets into a passion, is more intolerant and unreasonable than any despot, and public opinion was not calm in England on the matter of the papal aggression. If it had been, it would have been seen that that aggression could only become important from the noise that might be made about it. It would have been seen that the pretensions of the Pope to carve out England into ecclesiastical sees were very fit matter for laughter, but not at all fit matter for resentment; and that intrinsically there was no more in it which should disturb the national composure, than in that celebrated assumption of the Khan of the Tartars, who, when his own meal was over, used to give public permission to all other sovereigns to go to dinner. But ever since the time of Titus Oates, England has been subject to fits of absurdity about popish hobgoblins; and on the last occasion, in combating with such ostentatious phantoms as the Archbishopric of Westminster, she contrived to fall foul of the real flesh-and-blood prelacies of the Roman Catholic Church in Ireland, which are things as solid as the monarchy itself, and with which the violent collision of the Government must always be in the last degree dangerous. The mischief thus done ought to be undone, by retracing the steps which led to it; and I do not give up the hope that the time will come when success will attend an appeal, if made by influential statesmen, from Philip drunk to Philip sober—from England fanatical or foolish, to England restored to her usual good sense and moderation.

Religious Aspect of the Papal Question.

But the pride and the Protestantism of England will resent the imputation that any wrong has been done; and many will think that the desolation of the empire itself is not too great a risk to be incurred, in order to check by any means what they regard as a pernicious superstition. Here is the true difficulty of the question. For it is by religious and not by political considerations that this fatal policy is sustained. It is necessary, therefore, to advert, though it can be done only very slightly and imperfectly, to the religious bearings of this question. I shall do so in no spirit of controversy with Roman Catholics, but solely for the purpose of showing the grounds upon which a Protestant may be satisfied that the Roman Catholic system is not really formidable, and that the old yoke of the priesthood never can, by any possibility, be re-established.

The Roman Catholic Church has an immense history, and cannot be understood apart from it. That church is certainly not an invention of the dark ages, for a Protestant writer, inferior to none in learning, eloquence, or power of philosophic thought, Mr. Isaac Taylor, has shown the existence of Roman Catholic practices as far back as the times of Cyprian and Tertullian. Within about a hundred years from the death of the apostle John, celibacy had already become meritorious. The whole church system was in fact a gradual growth, taking in much from the ancient paganism, and much also from the belief and practices of the northern barbarians whom it converted. But with all these accretions of human error, the living spirit continued to work, and was long the main counterpoise to the evil passions of the feudal ages. The most masterly expositions of the working of the church during that period have proceeded from Guizot, a Protestant; Comte, certainly anything but a Catholic; and Neander, who, indeed, with all his Protestantism, *was* a Catholic, but a Catholic of that

stamp which, though it finds little favour with the churches of England, is blasted with every anathema of heresy by the Church of Rome. All, however, represent that church as the great instrument of civilization during many ages. Thinkers will differ as to the period at which its influence began to decline; but M. Comte appears to me to be exactly right in placing it at the commencement of the fourteenth century, that is to say, about two hundred years before the Reformation. The quarrel of Philip the Fair with Pope Boniface, and the destruction of the order of the Templars, are distinct evidence that a change had then set in for the Papacy, momentous enough to have made Innocent and Hildebrand turn in their graves. Since that time there have been various reactions, and especially that notable one at the end of the sixteenth century, which Ranke has so admirably depicted; but upon the whole the decay has been progressive, and, according to all analogy, no human power can arrest it. The view taken by Mr. Macaulay of the permanency and probable duration of the papal system, only shows that that glance, which is so keen and comprehensive in other departments of history, does not estimate with the same accuracy the phenomena of religion. It seems to me impossible that an impartial observer who studies the Roman Catholic Church as she was in the sixteenth century, should believe that at any subsequent period she has exhibited as much spiritual energy as she did at that time. The founders of the order of the Jesuits were never equalled by any of their successors, and though that church has lost many minds of a high order, it is doubtful whether, in the course of the last two centuries, she has gained one really great intellect, except that of Mr. Newman. The case of Freidrich Schlegel, who intellectually was much inferior to Mr. Newman, has always appeared to me to be truly described by Mr. Carlyle in a well-known passage—it was the child rushing and clinging to the bosom of the dead mother.

In no country has Catholicism produced greater characters than in France. France is the country of Hincmar, of Gerbert,

and of the leaders of the first Crusade. It is the country of St. Bernard and St. Louis, of Gerson, and Francis Xavier, and Vincent de Paul. But what great name has France furnished to orthodox Catholicism during the two hundred years preceding the present generation? The fame of Bossuet may perhaps procure him absolution, from the ultramontane divines, for the sins which he committed in the matter of the Gallican liberties; but that hard, cold, legal intellect, however powerful in controversy, was not, in the highest sense, religious. The most eminent religious minds, not only of France, but of Catholic Europe during that period, were Fenelon, Pascal, and those who, with Pascal, formed the splendid constellation of Jansenism. Fenelon, however, incurred the papal censures, for writings of which the fault was, that they were too deeply imbued with the spirit of the Beloved Disciple; and the pious prelate had himself to read the brief which condemned his heresies, in his own cathedral. The Jansenists, whose characters have been presented to the English reader with so much truth and beauty of delineation by Sir James Stephen[1], were essentially Protestants, and when they too incurred the condemnation of the Infallible Authority, the repulsion of the Catholic Church was expressed by the Jesuits, who prefixed to the papal constitution a woodcut of Jansenius, wearing his episcopal mitre, and disclosing under his vestments the cloven feet of the devil. To this day there is scarcely any book so painful to a true Catholic as the "Provincial Letters,"—in style, in logic, and in moral tone, the most perfect specimen of Christian controversy that can be found in the literature of Europe.

Mr. Newman.

All alliances with philosophy are dangerous to the Papacy. They give a temporary stimulus, but, in the end,

[1] "The Port Royalists; Essays on Ecclesiastical Biography." A work which must have immense influence in producing juster and more charitable views of theological differences.

operate like poison; and this, sooner or later, will be found true in the consequences of Mr. Newman's conversion. The importance of that conversion is not to be denied. In the union of deep feeling and intellectual strength with force of character, it would be hard to find Mr. Newman's equal, and with these there is a sympathetic power peculiar to himself, which at Oxford is well known to have captivated every generous nature with which his own came into contact. Infinite, and never to be known before the Great Day, were the sorrows caused by his change. But, sincere as that change was, and permanent as it may be, it is still evident that he is infusing a certain rationalistic poison into that old church, which must hasten her destruction. One may gather from the "Tracts for the Times," how his mind must have traversed through all that cold region of German rationalism off to the very edge of the atheistic abyss, and then swept back like a comet in search of the central heat, and still overshot it. He has used the experience so gathered to temper afresh an old weapon of the Jesuits, which can do a good deal in the way of destruction, but is of no use for anything else. His habitual argument is, that if you do not stay on his side of the centre, you must go off into darkness, and this is wielded with great skill, but so as to make sad havoc with the convictions of many minds, especially young healthy English ones which have a strong appetite for reality and truth; for, of the two, they prefer the dark alternative. He *may* be able to drive them to give up the miracles of the New Testament, but they will *not* believe that of the saint floating upon his cloak. With full allowance, therefore, for the elasticity of Catholicism, the result must be that its old bottles will be broken by this new and fiery wine.

The Church of Rome should not argue.

The Roman Catholic Church, as De Maistre tells us, is not naturally argumentative. He might have said that she never

can be argumentative without being inconsistent. For the use of argument acknowledges the jurisdiction of that private judgment to which it appeals. But if private judgment has any right to deal with controversial questions, there is an end of church authority and church infallibility. The Church of Rome, therefore, takes Protestant ground whenever she condescends to reason. In the days of her strength she used the tone of command. The bulk of her controversial theology belongs to her declining age. It is the work of the followers of Loyola, whose indefatigable learning and logic worked out every imaginable line of defence, and whose zeal shrank from the use of no weapon which seemed capable of damaging an adversary. But it is a continuous exhibition of rationalism eating its way more and more into her vitals. Voltaire was not, as has been sometimes said, the spiritual child of Pascal, but of Pascal's opponents. It was natural, indeed, that the second of the great masters of French prose should snatch some graces from the inimitable style of the first; but not only in the literal, but the most comprehensive sense, Voltaire was the pupil of the Jesuits, and he transmitted their fatal lessons to those "architects of ruin" who applied his philosophy to practice. It was the same acute and remorseless casuistry which, in the sixteenth century, was suffered to play against the natural and instinctive defences of virtue, and which excused deceit and tyrannicide on behalf of the church—that, in the eighteenth, was used by unbelievers to justify every crime that could be committed in the name of the people.

But, notwithstanding the boasted unchangeableness of the Church of Rome, the Catholicism of the sixteenth century is not the Catholicism of the nineteenth, and least of all the Catholicism of any body of Englishmen. It is unfair to assume without proof, that any Roman Catholic now holds the doctrines of Sanchez and Escobar. Whatever may be the case with respect to the moral character of society at large, its moral perceptions have certainly been progressive. No Lutheran divine would now follow Luther, in giving leave to the Land-

grave of Hesse to have two wives at a time. Exeter Hall would not imitate Calvin in sending Servetus to the stake; and the people of Scotland, however much inclined, would not literally subscribe to the judgment of John Knox, that it was a godly deed to assassinate Cardinal Beaton[1].

The Papal Government.

In another important respect the Catholicism of the books is very different from Catholicism in fact. The Catholic theory implies that whatever spiritual vitality belongs to the Church of Rome should be found in its highest intensity at the centre, whereas in reality there seems to be only death at the centre, and life chiefly at the extremities. The moral vigour of every religious body is improved by severe trial. The Roman Catholic Church, both in Ireland and in England, has been saved from many corruptions of practice by poverty and hard treatment. In England alone, of all the countries of Europe, it has recently

[1] This case should be studied, as a lesson of Christian charity, in judging of the opinions and characters of other times. Though exempt from the bias, whether religious or national, which may be supposed to influence Scotchmen, I cannot quite exclude from my own mind a certain sympathy in the admiration which John Knox felt for James Melvil, one of the assassins, who, he says, was a man "most gentle and most modest." Melvil seems to have acted purely from religious zeal, and he passed his sword through the Cardinal's body with the calm solemnity of a man executing a decree of divine justice. The Duke of Argyll, in his Essay on the Ecclesiastical History of Scotland, characterizes the murder as it deserves, but says very truly that the deed might have been righteously done by the hands of the public executioner. The leader of the enterprise, however, Norman Lesly, was instigated by private vengeance, and some of his accomplices were hired to do the work by bribes from England. Yet John Knox joined the assassins soon after the crime was committed, and, what is more remarkable, calm Dr. Robertson, whose page seldom warms with a breath of human passion, writing in the middle of the eighteenth century, can hardly speak of the murder except as an act of heroism. He tries to save his cloth by a word or two of the mildest censure, but one may see that his sympathies were with the assassins, almost as strongly as if he had himself seen the cruel and profligate prelate feasting his eyes on the torments of Wishart. Yet a Roman Catholic must look upon those assassins precisely as a Protestant does upon Clément and Ravaillac and Guy Fawkes.

gained an infusion of fresh enthusiasm by the accession of a number of minds, for whom, by a peculiar concurrence of circumstances, its claims had all the zest of a novelty. On the Continent this great church looks like what she is, an ancient mechanism, much the worse for the wear, and revolving under the force of impulses given to it at a former period. But as the observer approaches that centre where, according to the Catholic theory, he should find the highest form of religious life and energy, he sees instead, a group of priests governing a numerous population by a system so detestable and so detested, that the rulers would not be safe amongst their own subjects for a week without a garrison of foreign troops. If the Papacy could be made invisible, or hidden under ground, or carried off to Thibet, where, according to those delightful travellers, the reverend fathers Huc and Gabet, it would find itself reflected in the system of the Lamas, the Catholic Church, relieved from its greatest scandal, might become much more formidable. But, unfortunately for that church, she cannot abolish the Pope. He is the keystone in the arch of the Roman Catholic theory, which has no consistency at all, except in its ultramontane or most extravagant form.

This renders it not difficult for a controversialist, who is willing to follow the great teachings of history, to make short work with the claims of the Roman Catholic Church. He may fling overboard at once all the tomes of doctrinal controversy as not needful to decide the issue between that church and common sense, and confine himself to the history of Papacy. If he finds the supposed centre of Catholic unity as abundant in scandals as any temporal court, and if he finds in the proceedings of the ruling power the interests of an Italian principality repeatedly and systematically preferred to the supposed interests of the Christian Church, he will not spend much time in a microscopic examination of those patristic rags and tatters with which laborious antiquaries piece out their theories of apostolical succession and Roman supremacy. The historical character of the papal administration is enough to establish

the conviction, that, if Christianity be the greatest of truths, its chief embodiment is not to be sought amidst the rubbish of that broken-down dominion, which French bayonets alone prevent from being swept away.

When the Caliphs of Bagdad lost their temporal power, the first result was a great improvement in their ecclesiastical character; and if the pontifical court were sent into permanent exile, the church might be the better for it. But the improvement would scarcely be more than temporary, because there seems to be an inveterate tendency in the system to generate abuses. The scandals of Avignon during the residence of the Popes were as great as those of Rome. The Papacy, therefore, is decidedly an encumbrance, though an encumbrance which Catholicism cannot get rid of. All that can be done is, to forget the concrete personality of the supreme pontiff, and to transform him as much as possible into an abstract idea. By this process it is possible for a courageous and consistent disputant like Count Joseph de Maistre to follow out his principles to results which are truly astonishing, but results which, even with the most persuasive eloquence, will only satisfy the mass of educated men that the premises must be false where the conclusions are so incredible.

Roman Catholic Astronomy.

Mr. Newman has shown immense moral courage in facing the consequences of his own logic; but there is an achievement in that line which still remains to be attempted. He has not yet directed any assault against the Newtonian astronomy. Why not? There would be no need to wound any remnant of old Academic pride by the confession of an Oxford error. The popular notion of the solar system might be recanted, without humiliation, as one of the heresies of Cambridge. The credit of the Infallible Authority certainly does seem to require this sacrifice. It may be said, indeed, that the councils of the Vatican have not despised an expedient, which

always indicates weakness and disunion in Downing Street; and that, though with tardy reluctance, they *have* permitted the Copernican theory to be an open question. But is not this rather a stain to be wiped away from the escutcheon of infallibility? Surely those seven cardinals of the Roman Inquisition who, acting by the will of the Pope, signed the sentence of Galileo, knew what they were about. Their decision should be what English lawyers call a ruling case. The court was competent, the analogy of previous precedents strictly observed, and no technical form broken. With all due clearness and solemnity, those authorized interpreters branded the proposition, that the earth moves, as false and heretical. The feeble and trembling old man, in whom one of the grandest of human intellects was combined with a will either naturally weak or paralysed by the infirmities of seventy winters, yielded to his judges, and was sent to purge away his sin by penance in the solitude of a dungeon. Galileo submitted, but the opinion has got abroad that the earth was not equally compliant. All the astronomers on this side of the Alps still labour under the impression that our planet not only does not stand still, as it ought to do, but moves exactly in the path which the Inquisition declared to be heretical—presenting, indeed, a complete type of heresy by turning for ever round its own centre, and finding no rest. It is not wonderful that the Newtonian astronomy, involving notions of this kind, should be found to associate on the most uncomfortable terms with the dogmas of the Church of Rome; but now that development and working-out of principles are growing into fashion, may we not expect that this alien intruder will be at length boldly turned out of doors, as the monstrous offspring of the Reformation, reared up and kept alive to the present day by the English Protestant tradition?

If, however, the Church of Rome thinks it, upon the whole, more advisable to permit one of her decisions in a matter of such great importance to be overhauled and reversed by an English Protestant philosopher, it is a memorable recognition

of the fact that no church or creed can hold its ground in antagonism with science. Demonstration is not the basis of religious faith; but there can be no faith in that which is demonstrably false. The only faith that will endure is one that will coalesce easily and gladly with new truth; which fears neither science, nor history, nor criticism, but which welcomes every fresh discovery as so much new light thrown upon the ways and works of God.

Inevitable Decay of Catholicism.

The maintenance of the Roman Catholic creed in a consistent form is, amongst laymen, according to my observation, an exceptional thing. Catholic laymen rather avoid theorizing about their creed, having a feeling that it is not prudent to do so. If they once began to reason, doubt might occur, and when doubt begins there is no knowing where it may stop. Thus the tradition is kept unexamined, in the same wrappings of faith in which it has been received; and when, from habitual communication with Protestants, parts of it crumble away, the holders often become half-Protestant without knowing it, and without any uncomfortable feeling of inconsistency. Hence, in a perfectly free and friendly intercourse between Roman Catholics and Protestants, it seems to me inevitable that, as a general rule, the Roman Catholic religion must lose ground. That religion includes so many external observances, that the profession of it may remain, without any consciousness of insincerity, long after the belief has fallen away to a point which in the sixteenth century would have been thought worthy of the faggot. But wherever the two creeds intermingle, the whole atmosphere becomes Protestant. Catholicism can be kept in perfect preservation only in the cloister. Except in a few peculiarly-constituted minds, the theology of the middle ages will not blend with the large and active thought of modern times. The union may be accomplished and cemented artificially by the pressure of persecution. But in

this matter the fable of the traveller and his cloak is strictly to the point. There is nothing so dangerous to Catholicism as sunshine.

Hence it appears to me that the wit of man could not have devised anything more likely to be ultimately favourable to the Church of Rome in England, than the uproar which was made about the ecclesiastical titles. It was both a stimulus and an advertisement. To say nothing of its tendency to provoke in generous minds a reaction in favour of the weaker party, it could not but put all the Catholics on their mettle, and awaken attention everywhere to their claims. Now the English Roman Catholic laity are remarkably free from the propagandist spirit, and it was the worst possible policy to compel them, from a point of honour, to become zealous for the claims of their priesthood. The practical effect must be, that the ultramontane divines and the Oxford converts will be able henceforth to wield the whole influence of the Roman Catholic party, and to prevent every approach to union or compromise with Protestants in the all-important business of education.

In the United States, where the prelates of the Roman Catholic Church are allowed to adopt what titles and organization they please, there is much reason to believe that that church is losing ground. Bitter complaints have been made recently of the extent to which the Irish population in America, being there no longer tied to the ancient faith by the point of honour or by the identification of Protestantism with social hostility, has shaken off the yoke. This seems to me an inevitable result. For the Irish peasantry, though naturally fond of a formal and imposing worship, are also keen in seeing the weak points of the priesthood, much inclined to dabble in those very inquiries and controversies from which the educated Catholics stand aloof, and under favourable circumstances would be more likely than the English to get rid of a traditional error. If, instead of the system of persecution which began in Ireland at the Reformation, efficient schools had been generally established for instructing the people in their own language, and

the two races and churches had been then placed on a footing of legal and social equality, I have a most firm conviction, from much study of the history and character of the Irish people, that the adherents of the Roman Catholic Church amongst them at this day would be a very small minority.

Church of Rome in England.

Where such a view is entertained of the position and prospects of the Roman Catholic Church, of course there can be no participation in the fears entertained of its progress in this country. Single conversions may continue to be made, but the science, literature, pursuits, and character of the English people are all insuperable obstacles to the spread of such principles. Such gains as the Church of Rome has made are attributable to that isolation of thought on certain subjects which exists in England, and which rendered the latest and most refined form of Catholicism almost unknown here before the beginning of the Oxford movement. Young men, brought up in the popular and traditional notions respecting Popery, found, when they *did* inquire, that those notions were in many respects erroneous; and then there followed, as a natural result, an over-valuation of everything that had been before unduly depreciated. The friends of Protestantism should above all things try to ascertain *what is going on in the minds of young men*, and not seek to avoid danger by thrusting their own heads into the bushes. It appears to me to be in one important sense true, as was said by Mr. Martineau in the most able Essay[1] which the papal question called forth, that English theologians are not generally aware of the variety and strength of the Catholic resources. But there could be no worse mode of curing such a defect than legislation. It might have been left to the learning of

[1] The "Battle of the Churches," in the *Westminster Review*, since reprinted with other Essays, every one of which is full of original thought, and distinguished by a style in which extreme metaphysical refinement is combined with the vividness of poetry.

Oxford and Cambridge to forge the new weapons requisite for the defence of the Reformation. But our wisdom has thought it better to entrust that cause to the vigilance of the common informer.

If we turn from the theological weaknesses to the practical working of this church, we see that, whatever be its errors, and whatever practices it may contain inconsistent with the general spirit of Christianity, it is still, as a whole, a portion of the general Christian counterpoise to that mass of selfishness and licentious passions which constitutes the real social danger of the time. So far it is not an evil, but a good. A pure form of Protestantism in its place would be better; but if, as is very likely, the driving away of Catholicism would *not* make something better to come in its place, the cause of pure morals would lose and not gain by the process. For I utterly reject, as false and slanderous, those foul imputations which are so often flung out against the Roman Catholic clergy of England and Ireland. If it be true, as every one who knows anything of Roman Catholic society in these countries must know it to be, that Roman Catholic women are as pure, and as much above suspicion, as any others, what is it but *calumny* to draw the inferences which are habitually drawn from what is to be found in the text-books? Those reckless and envenomed polemics are indeed a scandal to Christianity, and a mournful feature of the times.

The Irish People and their Priests.

There is a large Irish population in Great Britain, who will receive no religious ministrations except from Catholic priests. They may neglect those ministrations, or be deprived of them, but the result is not that they become Protestant, but that they become demoralized. This is a matter of fact which may be at any time verified by inquiring into the conduct of the Irish labouring population. But if it be so, then the labours of those priests against whom so many well-meaning persons are ready

to embark in any kind of crusade, are labours beneficial to the whole mass of society. This is true in England, but is still more true in Ireland. Neither angry polemics nor hostile legislation will bring any better moral influences to bear upon the Irish peasant than those which he derives through the Church of Rome. Consider, then, what must be the effect in that country of a systematic warfare upon an institution which has such deep root in the soil, while almost every other has been either blighted or pulled up. There is no doubt much in the demeanour of the Irish clergy to repel the English people, but the aspect which the Irish priest presents to England is his worst. Combative, perhaps, he is, and full of angry violence in his language; but see him amongst his flock, and you see another man. For them, he is the friend in perplexity—the protector in danger—the pastor and consoler in sickness and desolation. On all the joyful and sorrowful occasions of life the priest and the people are together. Sympathy, sweet to all, but longed for even to weakness by the Irish, is found by the people in the priesthood, and is sought elsewhere in vain. Such is the class whom English statesmen at this crisis of European affairs think it wise to exasperate by insult. Such is the class whom others, in the name of interests far higher than those of policy, think it consistent with Christian prudence and Christian charity, even at this great exigency in the history of society, to cover with the most odious imputations.

Comprehensiveness not Latitudinarian.

It does not involve, as to many it may appear to do, a lax or latitudinarian principle, to admit that the spirit of Christianity may work powerfully in connection with theological error. It does not lead to the conclusion that one iota of what is regarded as truth is to be surrendered or slighted, but merely that the energy of each Christian body should be turned against that mass of practical heathenism, the christianization of which, in the comprehensive view of Chalmers, seemed to

be the greatest and most urgent of all works required by humanity. The two things cannot, or at all events *will* not, be effectively done together. If the energy goes into angry polemics, it will not go into works of Christian love.

Here, then, is the great want of the present time. The rise of a new spirit in all the churches—a spirit which would lead them to see their chief antagonists no longer in each other, and to direct their united energies against that large, menacing, and aggressive mass of moral evil, with which Christian organization alone can effectually cope. Not one of those churches can be spared. The sympathies of the great majority of the English people are, in my opinion, with that form of the Christian faith which is commonly known as Evangelical Protestantism, and, viewed upon a large scale, there is none of which the morality is purer, or the humane and benevolent energy more conspicuous. But it is in vain to imagine that it is, or can be, the exclusive type of English religion, or even the exclusive religion of the Establishment. Anglo-Catholicism, however inconsistent it may be in not becoming Roman Catholicism, does still abound in the most beautiful traits of Christian excellence. The claims of some of the Tractarian clergy to an exclusive control over popular schools cannot, indeed, be admitted; but, on the other hand, no policy could be more unwise than that of an attempt, by narrowing the present terms of ecclesiastical communion, to drive that party into the Church of Rome. Even in the estimation of the mere political moralist, the zeal shown by the Tractarian section of the Church for the furtherance of popular education ought to seem too precious a thing to be thrown away, if such waste can possibly be avoided. That great work, which must be the foundation of all social improvement, cannot be accomplished except by the force of religious impulses, and this fact is too apt to be overlooked or denied by those friends of education who find their plans and wishes obstructed by religious differences. Very moderate concessions, however, would now be sufficient to warrant a great legislative measure, and in the

working of such a measure all the religious zeal and energy that exists in England might find an ample sphere of activity.

Of the Tractarian theology it may further be said, that although to me it appears both logically and historically less consistent than that of Rome, it is *morally* much superior. It is free from some of the worst practical errors of the Roman Church. If, therefore, Tractarians can remain in their present position without dishonesty, as only extreme intolerance or want of charity can deny, it is infinitely better that they should continue insensible to their own happy inconsistency, than that legislation, less merciful than logic, should strip them of the chief part of their social utility, and condemn them to the melancholy disenchantment, and the bitter and hopeless repinings, which must often, though they may not always, follow conversions from the Church of England to the Church of Rome. Whilst hoping for the ultimate removal of all error, we should, for the present, rather be glad that Tractarianism, such as it is, is found practically to satisfy the spiritual wants of some minds, which are repelled by the popular manifestations of the simpler and purer evangelical theology; and if the inward religious life which accompanies that form of faith may be judged of by poetical manifestation, it must be acknowledged that the "Christian Year," and the "Lyra Apostolica" are in no respect inferior to the best utterances of Herbert or Heber. Again, at the opposite extremity of the theological pole are also to be found minds of the highest spirituality. Let those who doubt it read the "Endeavours after the Christian Life" of James Martineau, or the "Religious Life of England," by John James Tayler. The creed of such writers may err by defect, as that of the Church of Rome does by excess; but in spirit they are as Christian as Fenelon and Pascal; and all those varied classes of minds, devout, sincere, and disciplined by the Gospel, and strengthened by those aids which are practically found to be imparted to men wherever there is faith in the person of the Redeemer, form collectively the great force by which the social evils which menace England are to be checked and overcome.

It is not necessary that any ecclesiastical organization should be broken up or disturbed. What is wanted is not a change of mechanism, but a change of heart. Such a change, indeed, might lead, as an ultimate result, to unions which are now impracticable. But it is not the least that can be said in its behalf, that it might tend to realize the aspiration of one of England's greatest men—of him whose early departure is not to be regretted, since it enabled the image of his earnest and inspiring life to be brought home as a stimulus and a sustainment to so many fainting souls. That would be a great day, indeed, for England, in which such a change should take place in her various religious organizations, that, if not led into the way of perfect doctrinal agreement, they might, at least, "hold the faith in unity of spirit, in the bond of peace, and in righteousness of life;" and that the harmonizing power of Christian love might at length make it possible for all to come together in the comprehensive church of Arnold[1].

[1] A personal statement respecting the religious position of the writer of these pages is here added, solely because the worth of any opinion on these much disputed subjects is always estimated with some reference to the circumstances under which it has been formed. An early education in the Roman Catholic Church, though connected with every circumstance calculated to inspire respect for the tenets of that church and for its teachers, was not sufficient to prevent the creed of childhood from falling to pieces—for that is the only true description of what occurred—during the years spent at the university of Dublin. That result happened without the least effort on the part of any one to bring it about, and in spite of strong efforts made by the individual chiefly concerned to prevent it. In the year 1834, Channing's "Essay on Fenelon" distinctly presented a view of Christianity which seemed to include what was essential in the faith of Channing and of Fenelon, and that view, subsequently enlarged and corrected, more especially by a study of the writings of Neander, became permanent. The opinion then embraced led in 1836, or within about a year after the attainment of the age of manhood, to a formal connection with the Unitarian body, which has since continued, notwithstanding some differences from the views commonly held by Unitarians. The consideration, however, which appeared strong sixteen years ago appears equally strong now, that the Unitarians are the only religious body in which very wide diversities of speculative opinion are held to be consistent with Christian communion and fellowship.

APPENDIX.

NOTE A.

Nature of Money Capital.—Mr. Hodgskin's Pamphlet.

The following are extracts from the pamphlet called "Labour defended against the Claims of Capital" which has been referred to in the preface. The italics and small capitals are given as in the original.

"The only advantage of circulating capital is, that by it the LABOURER is enabled, *he* being assured of his present subsistence, to direct *his* power to the greatest advantage. HE has time to learn an art, and *his* labour is rendered more productive when directed by skill. Being ASSURED of immediate subsistence, he can ascertain which, with his peculiar knowledge and acquirements, and with reference to the wants of society, is the best method of labouring, and he can labour in this manner. Unless there were this ASSURANCE there could be no continuous thought, no invention, and no knowledge but that which would be necessary for the supply of our immediate animal wants. The weaver, I admit, could not complete his web, nor would the shipwright begin to build a ship, unless he KNEW that while he was engaged in this labour he should be able to procure food. A merchant certainly could not set out for South America or the East Indies unless he were CONFIDENT that during the period of his absence he and his family could find subsistence, and that he would be able at the end of his voyage to pay all the expenses he had incurred. It is this *assurance*, this *knowledge*, this *confidence* of obtaining subsistence and reward, which enables and induces men to undertake long and complicated operations; and the question is, do men derive this assurance from a stock of goods already provided, (saved from the produce of previous labour,) and ready to pay them, or from any other source?

"I SHALL ENDEAVOUR TO SHOW THAT THIS ASSURANCE ARISES FROM A GENERAL PRINCIPLE IN THE CONSTITUTION OF MAN, AND THAT THE EFFECTS ATTRIBUTED TO A STOCK OF COMMODITIES, UNDER THE NAME OF CIRCULATING CAPITAL, ARE CAUSED BY COEXISTING LABOUR.

"The labourer, the real maker of any commodity, derives this assurance from a knowledge he has that the person who sets him to work will

pay him, and that with the money he will be able to buy what he requires. HE is not in possession of any stock of commodities. Has the person who employs and pays him such a stock? Clearly not. Only a very few capitalists possess any of those commodities which the labourers they employ consume. Farmers may have a stock of corn, and merchants and ship-owners may have a few weeks' or months' supply of provisions for their seamen, according to the length of the voyage they are to undertake; but, beyond this, no *capitalist* possesses ready prepared the commodities which his labourers require. He possesses money, he possesses credit with other capitalists, he possesses, under the sanction of the law, a power over the labour of the slave-descended labourer, but he does not possess food or clothing. He pays the labourer his money-wages, and the expectation which other labourers have of receiving part of these wages, or other wages, induces them in the mean time to prepare the clothing and food the labourer constantly requires. Not to deal, however, in general terms and abstractions, doing which seems to have led other writers astray, let us descend to particulars.

"A great cotton manufacturer, we will suppose, for example, a Sir Robert Peel, or any of those other leviathans who are so anxious to retain their power over us, and who, as legislators, either in their own persons or in the persons of their sons, make the laws which both calumniate and oppress us, employs a thousand persons, whom he pays weekly; does HE possess the food and clothing ready prepared which these persons purchase and consume daily? Does HE even *know* whether the food and clothing they require are prepared or created? In fact, are the food and clothing which his labourers will consume prepared beforehand, or are other labourers busily employed in preparing food and clothing while his labourers are making cotton yarn? Do all the capitalists of Europe possess at this moment one week's food and clothing for all the labourers they employ?

"Let us first examine the question as to food. One portion of the food of the people is BREAD, which is never prepared till within a few hours of the time when it is eaten. The corn of which the bread is made must of course have been grown, or one part of the whole operation, and that the longest part—that between sowing the seed and harvesting the ripe grain—which is necessary to the complete preparation of the food, has been performed; but the corn has afterwards to be thrashed, ground, sifted, brought to market, and made into bread. For the cotton-spinner to be able to attend only to his peculiar species of industry, it is indispensable that other men should be constantly engaged in completing this complicated process, every part of it being as necessary as the part performed by the agriculturalist. The produce of several of the labourers, particularly of the baker, cannot be stored up. In no case can the material of bread, whether it exist as corn or flour, be preserved without continual labour. The employer of the working cotton-spinner

can have no bread stored up, for there is none prepared; the labouring cotton-spinner himself knows nothing of any stock of corn being in existence from which his bread can be made; he knows that he has always been able to get bread when he had wherewithal to buy it, and further he does not require to know. But, even if he did know of such a stock, he would probably give up cotton-spinning and take to preparing food, if he did not also know, that while he is making cotton other labourers will till the ground, and prepare him food, which he will be able to procure by making cotton. His conviction that he will obtain bread when he requires it, and his master's conviction that the money he pays him will enable him to obtain it, arise simply from the fact that the bread has always been obtained when required."

* * * * * * * *

"If we duly consider the number and importance of those wealth-producing operations which are not completed within the year, and the numberless products of daily labour, necessary to subsistence, which are consumed as soon as produced, we shall, I think, be sensible that the success and productive power of every different species of labour is at all times more dependent on the coexisting productive labour of other men than on any accumulation of circulating capital. The labourer, having no stock of commodities, undertakes to bring up his children, and teach them an useful art, always relying on his own labour; and various classes of persons undertake tasks, the produce of which is not completed for a long period, relying on the labour of other men to procure them, in the mean time, what they require for subsistence. All classes of men carry on their daily toils in the full confidence that while each is engaged in his particular occupation, some others will prepare whatever he requires, both for his immediate and future consumption and use. I have already explained, that this confidence arises from that law of our nature by which we securely expect the sun will rise to-morrow, and that our fellow-men will labour on the morrow and during the next year as they have laboured during the year and the day which have passed. I hope I have also satisfied the reader that there is no knowledge of any produce of previous labour stored up for use; that the effects usually attributed to a stock of commodities are caused by coexisting labour; and that it is by the command the capitalist possesses over the *labour of some men*, not by his possessing a stock of commodities, that HE is enabled to *support* and consequently employ other labourers."

The important truth, that the thing which the capitalist possesses is simply a *command* over labour and goods, was used in this pamphlet as an argument to prove that the capitalist is not entitled to the remuneration which he now receives. My own mind, on first reading it, was only struck by the fallacy of the conclusion, but afterwards having got, by a different train

of thought, at what I believe to be the true idea of money capital, its resemblance to that of Mr. Hodgskin became manifest. His error appears to me to have lain in the assumption, that the power possessed by the capitalist, of securing the co-operation of the different classes of labourers, is something arbitrary and obtained without sacrifice. But in fact this power is always the result of sacrifice; that is to say, of a series of acts of abstinence on the part of one or more persons who originally possessed the right of immediate consumption, and forbore to exercise it. Such abstinence will not be practised without remuneration, and no legal principle for settling the remuneration can be laid down, except that of leaving it to the voluntary bargainings of capitalists and labourers, which is the principle actually in operation.

Note B.

The Quarterly Review on Accumulations of Capital.

With the permission of Mr. Murray, I make some extracts here from the article on "Accumulations of Capital" in the *Quarterly Review* for Dec., 1847. The writer appears to me to fall into a serious error in under-estimating the evil produced by speculative excitements, but his conception of the process of accumulation must be felt by every one to be, in the main, as correct as his exposition of it is felicitous.

"The manufacturer who finds at the end of the year a larger balance at his banker's than is necessary for conducting his business at its present extent, obeys a very natural and a very reasonable impulse when he employs the surplus in increasing his business. He keeps his capital under his own eye and control, and the existence of the surplus proves that the state of the trade in which it has accumulated justifies the application. By this process the half-dozen spinning-jennies, first collected in a loft by Arkwright, have expanded into the fifteen hundred cotton-factories which now exist within thirty miles of the Exchange at Manchester. 'So you are building another cotton-mill!'—'They build one another,' was the reply of an old and successful spinner.

"Extraneous capital has only gone into the cotton manufacture on the legitimately acquired and generally well-vindicated credit of those who created the trade and have carried it on, and has been applied under their guidance. So universally has this been the case, that we believe

that in almost every instance in which unconnected parties have, under the idea of large profits, thrust themselves and their money into that business, they have pretty speedily retired, leaving their money behind them. In early life we were acquainted with a gentleman who at forty-five retired from the wine-trade, having realized a fortune of thirty thousand pounds. He unfortunately visited Manchester, and on the Exchange there he could not cast his eyes on any side without their lighting on men who had been themselves operatives, or at most were only removed from that class by one generation, who were still in the vigour of mercantile life, and who were reputed to be worth eighty, one hundred, two hundred thousand pounds. He determined to be a manufacturer. He built a mill in the most approved form, and filled it with new machinery. In twelve years the mill stood for want of cotton; the broker and the banker were inexorable. Like Jeames de la Pluche, our friend was the 'soul of honour:' the relics of 30,000*l.* paid to his creditors fourteen shillings in the pound; and he finished his life in a country town as commission agent to a London wine-house. This is no solitary instance. We bring it forward to exemplify our statement that the manufacturing districts have been covered with their existing enormous amount of fixed capital—mills, warehouses, houses, shops, water and gas works, with a hundred etceteras—mainly by accumulations within the trade to which they administer."

* * * * * *

"The accumulations of the purely mercantile and trading class have not merged so immediately in brick, mortar, iron, and timber, as those of the manufacturing class. A large portion of them has no doubt gone to create the British mercantile marine; another portion has been expended, at home, in the colonies, and in foreign countries, in creating establishments destined to increase the facilities of British commerce; but a portion has at all times floated on the surface of the money market, recurring to its owners from time to time by the maturity of the temporary investment, or easily revocable by its realization.

"Another class remains, exceedingly varied in its composition, but having this common quality—that they have been rendered by their occupations and habits an unbargaining class. In every pecuniary transaction they feel the suspicion which inexperience renders natural and reasonable. This class includes all professional men, civil, military, and ecclesiastical; all who depend on fixed salaries; those generally whose incomes are realized; trustees; and all those timid and very provident persons who are the modern representatives of the hoarders of a more ignorant and less secure state of society. This class is in the aggregate a vast accumulator. Every quarter-day presents a vast sum seeking interest without trouble and without risk. To have the Bank of England, with its unbounded and mysterious wealth, as a paymaster; to find the private bankers debited in the pass-book at the end of every

half-year 'To Div^{d}. on £3630 Con^{s}. £——;' to be able to invest through a broker for a small charge, his power of imposition being confined within very narrow limits by quotations in every newspaper;—these circumstances satisfy so many feelings, and obviate so many inconveniences, that our investors are reconciled to 3½ per cent., and often, for a time at least, to less; for the banks of deposit in England and Scotland, which allow a low rate of interest, are mainly supported by this quiescent class. They are, in fact, merely its agents to bring this mass of money into the general market. Every monetary crisis confirms the propensities, justifies the wisdom, and recruits the numbers of those who, in their investments, make security and ease the first, and profit the second, consideration. Regular, though slow, when others fail, they flourish; they burst on the market with no gluts, but they keep up a constant pressure on the value of money; the silent plodding operation of compound interest is always there."

* * * * * *

"Since the peace in 1815 money crises in this country have nearly conformed to a decennial recurrence. The grand exception of 1839 is manifestly referable to a failure of food. The years 1825, 35, and 45, with those immediately following each, have been marked by the same broad features—a glut of money, a wild speculation, scarcity, remorse, and suffering; and the nation starts again on confirmed principles of prudence and caution. One-pound notes have been suppressed; banks having more than six partners legalized; the Bank Charter has been tinkered more than once; banks of issue have been regulated and restrained. Time after time we have been assured that speculation and panics would cease, because the exciting causes of the former and the pabulum of the latter had been put down by Act of Parliament. But the course of 1825, recurring in 1835, repeated in 1845, and probably to be repeated again in 1855, holds on its way totally regardless of the quackery which, smothered in returns and statistics, has wholly passed by the simple principles by which mainly it is governed.

"Let us endeavour to trace this course, commencing with the period of prudence and caution to which a panic has brought the country. The engagements of the hot fit have, with whatever pain, been liquidated, compromised, or otherwise closed. From the walks of mercantile and manufacturing industry, two classes have disappeared—those who went too fast, and those who went too slow—those who without the requisite power and depth aspired to lead, and those who from old habits and connections were unable to follow—those who flashed into the front, and those who dwindled into the rear. Every one who has seen a large field of horses start in the same race will have observed that those which dash off at a pace which the main body cannot maintain, speedily join in the rear those whose natural rate will not bring them into an average place. The steady, deep, persevering runners carry on the race. As one

effect of the crisis just passed, stocks of everything, except the raw produce of the earth in its first shape, are light. Perhaps, nationally, this is its worst effect. Pecuniary difficulties can only be overcome by producing more, whereas the tendency of a crisis is to make the nation produce less. In the mercantile and manufacturing classes the rate of accumulation has been retarded, or, more probably, accumulation has been altogether suspended. But the earth goes on producing. We have heard of many factories which have ceased to produce calico because the hire of money was eight per cent. per annum. We seldom hear of a field which has ceased to produce wheat for the same reason. Cattle and sheep procreate and rear their young, heedless of the dismay which reigns in Capel Court and Threadneedle Street. Here, then, the foundation is laid; and where peace prevails, and property and person are secure, men will produce, and trade, and accumulate. But, passing by the state of the mercantile and manufacturing classes in this early stage of revival, let us see how it fares with the quiet class of accumulators. We see several things which will accelerate their rate of accumulation—nothing occurs to us which will retard it. Indeed, we are inclined to think that with this class accumulation goes on fastest in times of pecuniary pressure, and slowest in times of abundance. In the first place, when great abundance reigns, large sums always lie idle, as far as the first hand is concerned, yielding him nothing. He, somewhat spurning three per cent., has not yet acquired sufficient hardihood to venture on a novel, or more hazardous, or more troublesome security, and leaves his money in the Bank of England, or at his private banker's, by whom a portion of it is cautiously employed at the existing low rate. But five, and still more eight, per cent. calls all these sums into use. From time to time moneys come in which were lent at a low, and go out again at an enhanced, rate of interest. This is a complicated subject. When employment is curtailed, of course accumulation by the working classes must be curtailed also. We are inclined, however, to think that the case of the manufacturing and that of the saving classes generally was pretty accurately summed up the other day by a Manchester gentleman who belongs to both (being a great cotton-spinner, and employing also a large sum of money in temporary investments), who, in answer to the remark that cotton-spinning was bad, said 'Yes; but lending money on railway shares is good.'

"On the whole, we think no one will be disposed to deny that this saving class does accumulate during and after panic at a very rapid rate; and that their accumulations do press and must press on the rate of interest. The first assault is usually made on Consols; they are beset on every side, and must rise in price. Consols contain within themselves no principle of expansion, and though Chancellors of the Exchequer have done as much to expand them as could reasonably be expected after thirty years of peace, by dint of twenty millions for the Negroes, and eight for the Irish, and two or three at different times for Whig defi-

ciencies; still Consols are a fixed quantity. When a sale of them takes place, as much comes out as goes in, and the pressure on the rate of interest is not relieved. Then there is the money of the irresolute, who cannot forget that Consols have been at par and below 80 within a short period, and will not touch them. Their money falls, for the time, into the hands of the dealers, and its first effect is to stimulate trade. 'Mr. A.,' says the discount-broker, 'you were naming, a short time back, some long-dated bills. The state of the market did not permit our touching them at that time, but we should be happy to see you now.' And so Mr. A., getting his long bills discounted at a rate which, when tested by the prices current, appears likely to leave a profit, enters into some adventure which he would otherwise have let alone. But even to this there is a natural limit. Draw and discount as you will, you can but effect the exchange of all the goods which exist: and recent events in corn and cotton have shown us how nearly consumption treads on production. Meanwhile, the exaggerated prudence produced by the last crisis has lasted six or seven years. Accumulation has gone on; the earth has yielded its average produce; manufacturing and mercantile industry have provided for their own extension. There is no use in continuing to knock at the door of the discount-houses, or of Consols, Exchequer-bills, or mortgages. You may, indeed, drive up the price till you have little more than the honour of possessing the security; but, invest as much as you will in these securities, there is no less unemployed money, there is no more interest to be paid. If more interest must be paid, more money must be employed in some way which will yield it. Willing or unwilling, directly or indirectly, you must—we should say *speculate*, if it had not pleased Chancellors of the Exchequer to make that word disreputable. We will say, as less offensive, that you must enterprise. You must drain morasses, or subdue wilds, or embank estuaries, or cut through isthmuses, or make some new work, or improve some old one, in a manner which will give a return on the money expended."

Note C.

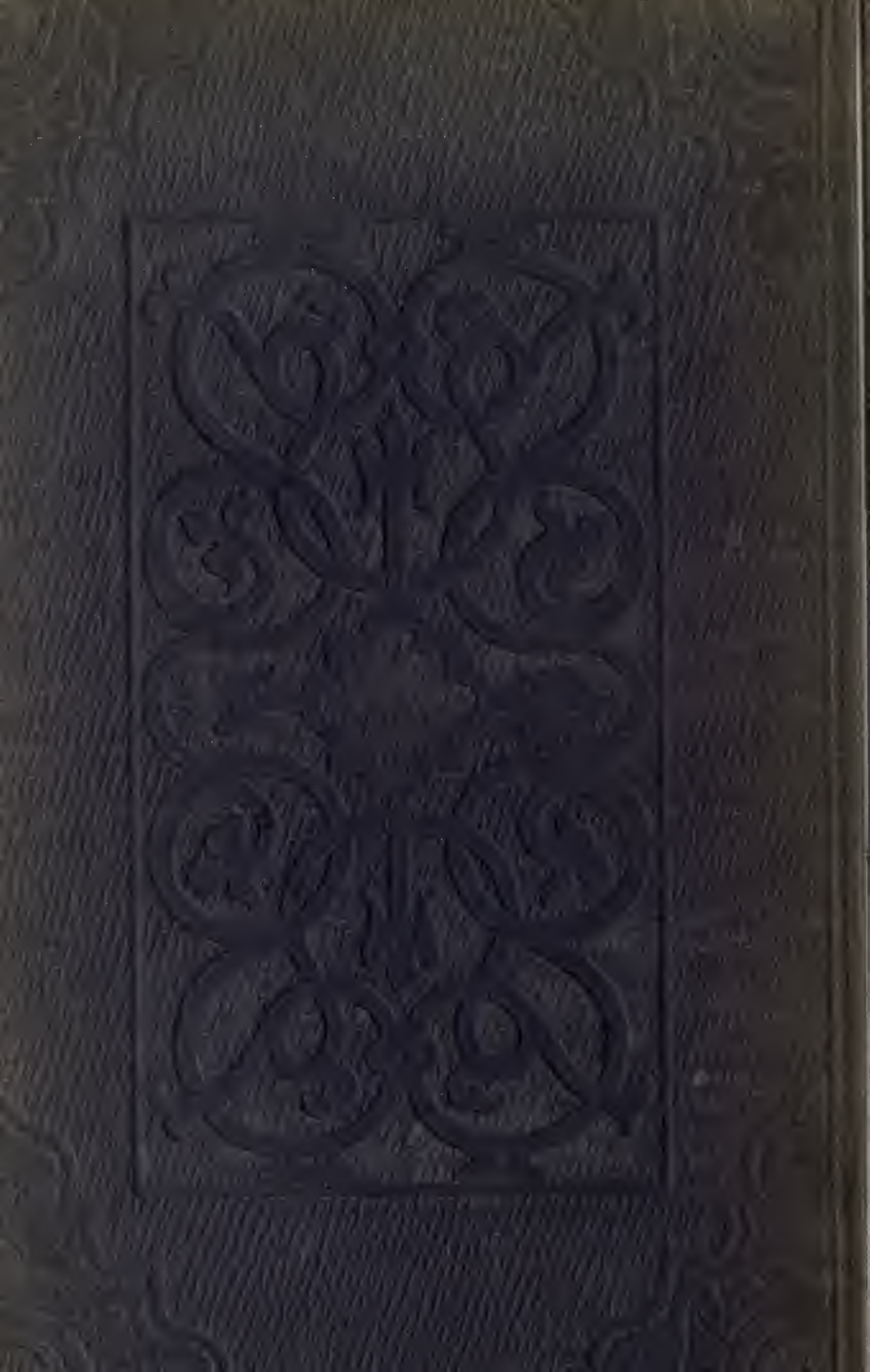
Mr. Fullarton on the Process of Depreciation.

In the extract from Mr. Fullarton's work on currencies, given at page 66, the slowness of the early stages in the depreciation of the assignats in France, is contrasted with the rapidity with which the process ultimately proceeded. That rapidity was partly the result of the manner in which the paper was issued. It was not issued

as *capital* upon loan, but for Government payments; and each new portion, as it was created, being immediately employed as *income*, went as so much new demand, of the most active kind, against pre-existing stocks and services. Further, the assignats had nothing to sustain them in public opinion but the arbitrary will of the Government; and in addition to these two causes, the depreciation was not resisted by the machinery of a monetary system, like that which exists in England, and which interposes the greatest possible obstacles to any considerable disturbance of the relations between the currency and the general mass of commodities. Mr. Fullarton has expressed the opinion, that with our present Bank and Mint regulations, that is to say, while every portion of new bullion that arrives may be exchanged for bank-notes and coin, with only a deduction of $1\frac{1}{2}d.$ per ounce, there can be no rise whatever in the level of prices. This appears to me to be an error, for the reasons explained in the chapter on "The New Gold;" because it is conceivable that a higher bullion value of English labour and its product may get established in foreign markets; but this will by no means prevent such an enormous accumulation as was anticipated by Mr. Fullarton when he wrote in 1844, and such as is now actually going on from week to week. In view of such a state of things Mr. Fullarton made the following remarkable observations:—

"Were such a state of things to continue for a sufficient length of time, I certainly do not take upon me to say, that there could be no action on prices, though, barring any extraordinary contingency, my belief undoubtedly is, that long ere this action could be produced, the market would be partially relieved by the fall of the rate of interest inducing capitalists to send their capital abroad. Circumstances, however, political or financial, might not be propitious for this solution of the difficulty; and it might become an important question how it could be most beneficially dealt with. It would be of no use *to suspend the purchases of bullion by the Bank, unless the Mint were also to be shut against the reception of any more gold for coinage, and the importers of the metal thus driven at once to submit to a reduction of prices,* or to send their commodity abroad in quest of a better market. I own I am inclined to think it might be more expedient to adopt this course, than to wait the tardy results of any remedial action through prices on the exchanges. But whatever might be the determination in this respect, no enterprise, as it seems to me, could be more Quixotic or absurd than for this country to engage in a struggle to sustain the value of the precious metals at a higher level than that warranted by the cost of their production."

From these remarks it would appear that Mr. Fullarton expected from the abandonment of the Bank and Mint regulations a much more rapid depreciation in the value of gold bullion than would otherwise take place, and I agree with him in thinking that that would be a speedy and effectual method of letting down the value of the metal, which would then fall rapidly under the influence of the new supplies. But Mr. Fullarton does not appear to have noticed the fact, that a change of this kind would leave the *value of the English currency* and *the level of English prices unaltered.* It would be *the abandonment of the gold standard*, and the preservation of the currency at its *present value*, by allowing the value of all new and uncoined gold to sink below it. This would be a change exactly the opposite of that which was made by the Bank Restriction Act. Under that Act the gold, which was then acted upon by a demand excessive in proportion to the supply, was allowed to rise *above* the ordinary value of the currency. If our present currency were artificially closed up, by shutting the Bank and the Mint against new gold, except at a market price, the currency, for reasons stated in the First Part of the present work, would remain as steady as it did under the Restriction Act, and the value of gold bullion would rapidly sink *below* the value of coin and Bank paper; but the adoption of any such measure would evidently alter the position in which the State stands with regard to the national creditor. The public might view it as an unfair change in the terms of all long contracts, which, according to the popular opinion, must become less onerous, on account of the gold influx, to those who have to make payments; and it is not easy to say what effects it might produce upon the operations of foreign commerce. Perhaps the most serious consequence of all would be a new kind of forgery against which there could be no protection. The bullion being once let down considerably below the value of the coin, it would be coined privately, and the sharpest eye in the Bank of England would not be able to detect a bad sovereign of pure standard gold.

G. Woodfall and Son, Printers, Angel Court, Skinner Street, London.

UC SOUTHERN REGIONAL LIBRARY FACILITY
AA 000 058 862 4